
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 2024.

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 14, 2024

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

EXHIBIT INDEX

[99.1 News Release dated August 14, 2024](#)

[99.2 Interim Consolidated Financial Statements for the six months ended June 30, 2024](#)

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[99.5 Certification of Interim Filings by CEO dated August 14, 2024](#)



IM Cannabis Reports Second Quarter Financial Results

IMC Germany delivers +200% in sales in first three months after German legalization, while overall revenue grows 12% vs Q2 2023

TORONTO, and GLIL YAM, Israel, August 14, 2024 /PRNewswire/ -- IM Cannabis Corp. (the "Company" or "IMC") (NASDAQ: IMCC) (CSE: IMCC), an international medical cannabis company, announced its financial results today for the second quarter ended June 30, 2024. All amounts are reported in Canadian dollars and compared to the quarter ended June 30, 2023, unless otherwise stated.

Q2 2024 Financial Highlights

- **12% Revenue increase** to \$14.8M vs. \$13.2M in Q2 2023
- **129% increase in IMC Germany sales** vs. Q2 2023 to \$3.5M. IMC Germany sales now make up 24% of the entire Company revenue, a growth of +105% vs Q2 2023
- **78% decrease in GM** vs. 26% in Q2 2023 to 6% mainly caused by inventory clearance of \$0.8M plus an accrual of \$1.1M for slow moving stock
- **29% decrease** in operating expenses to \$3.7M vs. \$5.2M in Q2 2023

Management Commentary

“The German market is not just poised to start delivering significant growth after the April 1st cannabis legalization, we can already see the impact the legalization has had on our German business. We were well positioned to take advantage of the growing market and delivered a 200% increase in sales in Q2,” said **Oren Shuster, Chief Executive Officer of IMC**. “We are actively making sure that we are allotting the resources and support the German business needs to deliver further accelerated growth.”

“Our revenue in Q2 increased by 12 vs Q2 2023. This growth was driven in part by the 200% Germany grew in Q2 vs Q1 2024. Our selling price per gram of dried flower also increased 21% vs Q2 2023 to \$6.09 per gram. In addition, our operating expenses continued to decrease by 29% vs Q2 2023, as a result of last year’s restructuring,” commented **Uri Birenberg, Chief Financial Officer of IMC**. “Conversely, we cleared old raw material and accrued for slow moving stock for total of about \$1.9 million which impacted our cost of sales, gross margin, and gross profit.”

Q2 2024 Conference Call

The Company will host a Zoom web conference call today at 9:00 a.m. ET to discuss the 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.

Q2 2024 Financial Results

- **Revenues for the second quarter of 2024** were \$14.8 million compared to \$13.2 million in Q2 2023, an increase of \$1.6 million or 11.7%. The increase is mainly attributed to accelerated growth in Germany revenue of \$2 million net and decreased net Revenue in Israel of \$0.4 million, which consists of Oranim deal cancellation effect in decreased Revenue of \$2.4 million.
- **Total Dried Flower sold in Q2 2024** was approximately 2,333 kg with an average selling price of \$6.09 per gram, compared to approximately 2,128kg in Q2 2023, with an average selling price of \$5.04 per gram, which is an increase of 21%.
- **Cost of revenues for Q2 2024** were \$13.9 million compared to \$9.5 million in Q2 2023, an increase of \$4.4 million or 46.6%, mainly due to an increase in Company revenue related costs of approximately \$2.5 million, clearing of old raw materials of approximately \$0.8 million and accrued for slow inventory of approximately \$1.1 million.
- **Gross profit for the second quarter of 2024** was \$0.8 million, compared to \$3.5 million in Q2 2023, a decrease of 75.6%. The downside is attributed mainly to the clearing of old inventory, accrual for slow moving inventory of approximately \$1.9 million and slow-moving stock that was moved out at a lower price. Company fair value adjustment was \$0 and \$0.3 million for the Q2 2024 and Q2 2023 respectively.
- **G&A Expenses in Q2 2024** were \$2.2 million, compared to \$2.4 million in Q2 2023, a decrease of \$0.2 million or 9.5%. The decrease in the G&A expense is attributable mainly to insurance of approximately \$0.2 million.
- **Selling and Marketing Expenses in Q2 2024** were \$1.5 million, compared to \$2.6 million in Q2 2023, a decrease of \$1.1 million or 44% mainly due to the revocation of Oranim agreement of \$0.6 million and decrease in salaries and professional services of \$0.4 million.
- **Total operating expenses in Q2 2024** were \$3.7 million compared to \$5.2 million in Q2 2023, a decrease of \$1.5 million or of 29% mainly due to decrease in salaries of approximately \$0.4 million, insurance of \$0.2 million, depreciation expenses of \$0.3 million and professional services of \$0.2 million.
- **Net Loss in Q2 2024** was \$3.5 million, compared to \$3.7 million in Q2 2023.
- **Basic and diluted Loss per Share in Q2 2024** was \$0.23, compared to a loss of \$0.26 per Share in Q2 2023.
- **Non-IFRS Adjusted EBITDA loss in Q2 2024** was \$2.3 million, compared to an Adjusted EBITDA loss of \$0.5 million in Q2 2023 a loss increase of 357%.
- **Cash and Cash Equivalents as of June 30, 2024**, were \$0.7 million compared to \$1.8 million on December 31, 2023.
- **Total assets as of June 30, 2024**, were \$40.2 million, compared to \$48.8 million on December 31, 2023, a decrease of \$8.6 million or 17.6%.

The decrease is mainly attributed to the Oranim agreement cancellation of \$9.5 million of which mainly attributed to; goodwill \$3.5 million, intangible asset \$1.4 million, inventory \$0.8 million, trade receivables \$1.3 million and property plant and equipment \$0.8 million and reduction of cash and cash equivalents of \$0.3 million.

In addition to the Oranim revocation agreement effect, there is a total asset increase of \$0.9 million mainly due to an increase of \$5.8 million in trade receivables offset by \$3.4 million reduction in Inventory, reduction of Cash and cash equivalents of \$0.8 million and reduction of \$0.7 million in intangible assets.

- **Total Liabilities as of June 30, 2024**, were \$34.7 million, compared to \$35.1 million on December 31, 2023, a decrease of \$0.4 million or 1.1%.

The decrease was mainly due to the Oranim agreement cancellation of \$6.8 million of which mainly attributed to a decrease in PUT option liability in the amount of \$2.0 million, a decrease in purchase consideration payable in the amount of \$2.2 million, a decrease of \$1.6 million in trade payables, a decrease of \$0.4 million in lease liabilities and a decrease of \$0.3 million in deferred tax liability.

In addition to the Oranim revocation agreement effect, there is a total liabilities increase of \$6.4 million mainly due to an increase of \$6.2 million in trade payables offset by a \$1.7 million reduction in other accounts payable.

The Company's financial statements as of June 30, 2024, includes a note regarding the Company's ability to continue as a going concern. The Company's Q2 2024 financial results do not include any adjustments relating to the recoverability and classification of assets or liabilities that might be necessary should the Company be unable to continue as a going concern. For more information, please refer to the "Liquidity and Capital Resources" and "Risk Factors" sections in the Company's management's discussion and analysis for the quarter ended June 30, 2024.

Non-IFRS Measures

This press release makes reference to "Gross Margin" and "Adjusted EBITDA", which are financial measures that 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. These measures are provided as complementary information to the Company's IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should neither be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

For an explanation of how management defines Gross Margin and Adjusted EBITDA, see the Company's management's discussion and analysis for the period ended June 30, 2024, available under the Company's SEDAR+ profile at www.sedarplus.ca on EDGAR at www.sec.gov/edgar.

We reconcile these non-IFRS financial measures to the most comparable IFRS measures as set out below.

About IM Cannabis Corp.

IMC (Nasdaq: IMCC) (CSE: IMCC) is an international cannabis company that provides premium cannabis products to medical patients in Israel and Germany, two of the largest medical cannabis markets. The Company has exited operations in Canada to pivot its focus and resources to achieve sustainable and profitable growth in its highest value markets, Israel and Germany. The Company leverages a transnational ecosystem powered by a unique data-driven approach and a globally sourced product supply chain. With an unwavering commitment to responsible growth and compliance with the strictest regulatory environments, the Company strives to amplify its commercial and brand power to become a global high-quality cannabis player.

The IMC ecosystem operates in Israel through Focus Medical Herbs Ltd., which imports and distributes cannabis to medical patients, leveraging years of proprietary data and patient insights. The Company also operates medical cannabis retail pharmacies, online platforms and logistical hubs in Israel that enable the safe delivery and quality control of IMC products throughout the entire value chain. In Germany, the IMC ecosystem operates through Adjupharm GmbH, where it distributes cannabis to pharmacies for medical cannabis patients.

Disclaimer for Forward-Looking Statements

This press release contains forward-looking information or forward-looking statements under applicable Canadian and United States securities laws (collectively, **forward-looking statements**). All information that addresses activities or developments that we expect to occur in the future are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "likely" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made. In the press release, such forward-looking statements include, but are not limited to, statements relating to: the impact of the Israel-Hamas war on the Company, including its operations and the medical cannabis industry in Israel; the timing and impact of the legalization of medicinal cannabis in Germany, including, the Company having it "all in house"; the Company being positioned to take advantage of the legalization; the Company's growth in 2024; the market growth for medicinal cannabis in Germany; the stated benefits of the Company's EU-GMP processing facility and an EU-GDP logistics center; the Company to host a teleconference meeting as stated; and the Company's stated goals, scope, and nature of operations in Germany, Israel, and other jurisdictions the Company may operate.

Forward-looking statements are based on assumptions that may prove to be incorrect, including but not limited to: the Company's ability to focus and resources to achieve sustainable and profitable growth in its highest value markets; the Company's ability to mitigate the impact of the Israel-Hamas war on the Company; the Company's ability to take advantage of the legalization of medicinal cannabis in Germany; the Company's ability to host a teleconference meeting as stated; and the Company's ability to carry out its stated goals, scope, and nature of operations in Germany, Israel, and other jurisdictions the Company may operate.

The above lists of forward-looking statements and assumptions are not exhaustive. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated or implied by such forward-looking statements due to a number of factors and risks. These include: the failure of the 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 and its subsidiaries (collectively, the "**Group**") to deliver on their sales commitments or growth objectives; the reliance of the Group on third-party 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; risks of product liability and other safety-related liability from the usage of the Group's cannabis products; supply chain constraints; reliance on key personnel; the risk of defaulting on existing debt; risks surrounding war, conflict and civil unrest in Eastern Europe and the Middle East, including the impact of the Israel-Hamas war on the Company, its operations and the medical cannabis industry in Israel; risks associated with the Company focusing on the Israel and Germany markets; the inability of the Company to achieve sustainable profitability and/or increase shareholder value; the inability of the Company to actively manage costs and/or improve margins; the inability of the company to grow and/or maintain sales; the inability of the Company to meet its goals and/or strategic plans; the inability of the Company to reduce costs and/or maintain revenues; the Company's inability to take advantage of the legalization of medicinal cannabis in Germany; and the Company's inability to host a teleconference meeting as stated.

Please see the other risks, uncertainties and factors set out under the heading "Risk Factors" in the Company's annual report dated March 28, 2024, which is available on the Company's issuer profile on SEDAR+ at www.sedarplus.ca and Edgar at www.sec.gov/edgar. 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.

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian Dollars in thousands

	<u>Note</u>	<u>June 30, 2024 (Unaudited)</u>	<u>December 31, 2023 (Audited)</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		\$ 700	\$ 1,813
Trade receivables		12,087	7,651
Advances to suppliers		788	936
Other accounts receivable		3,648	3,889
Inventories	3	<u>5,719</u>	<u>9,976</u>
		<u>22,942</u>	<u>24,265</u>
NON-CURRENT ASSETS:			
Property, plant and equipment, net		4,052	5,058
Investments in affiliates		2,284	2,285
Right-of-use assets, net		626	1,307
Intangible assets, net		3,678	5,803
Goodwill		<u>6,634</u>	<u>10,095</u>
		<u>17,274</u>	<u>24,548</u>
Total assets		<u>\$ 40,216</u>	<u>\$ 48,813</u>

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian Dollars in thousands

	Note	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables		\$ 13,877	\$ 9,223
Bank loans and credit facilities		12,746	12,119
Other accounts payable and accrued expenses		4,486	6,218
Accrued purchase consideration liabilities		-	2,097
PUT Option liability		-	2,697
Convertible debt		2,002	-
Current maturities of operating lease liabilities		292	454
		<u>33,403</u>	<u>32,808</u>
NON-CURRENT LIABILITIES:			
Warrants measured at fair value	4	57	38
Operating lease liabilities		301	815
Long-term loans		401	394
Employee benefit liabilities, net		47	95
Deferred tax liability, net		526	963
		<u>1,332</u>	<u>2,305</u>
Total liabilities		<u>34,735</u>	<u>35,113</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital and premium		253,966	253,882
Translation reserve		1,579	95
Reserve from share-based payment transactions		9,673	9,637
Conversion option for convertible debt		327	-
Accumulated deficit		(258,478)	(249,145)
Total equity attributable to equity holders of the Company		7,067	14,469
Non-controlling interests		(1,586)	(769)
Total equity		<u>5,481</u>	<u>13,700</u>
Total liabilities and equity		<u>\$ 40,216</u>	<u>\$ 48,813</u>

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

Canadian Dollars in thousands, except per share data

	Six months ended June 30,		Three months ended June 30,	
	2024	2023	2024	2023
	(Unaudited)			
Revenues	\$ 26,813	\$ 25,736	\$ 14,750	\$ 13,207
Cost of revenues	24,165	18,759	13,891	9,473
Gross profit before fair value adjustments	2,648	6,977	859	3,734
Fair value adjustments:				
Realized fair value adjustments on inventory sold in the period	(25)	(617)	(15)	(278)
Total fair value adjustments	(25)	(617)	(15)	(278)
Gross profit	2,623	6,360	844	3,456
General and administrative expenses	4,495	5,563	2,163	2,389
Selling and marketing expenses	3,773	5,427	1,481	2,622
Restructuring expenses	-	617	-	334
Share-based compensation	120	121	88	(137)
Loss on deconsolidation	2,734	-	(19)	-
Total operating expenses	11,122	11,728	3,713	5,208
Operating loss	8,499	5,368	2,869	1,752
Finance income (expenses), net	(1,927)	621	(1,426)	(2,114)
Loss before income taxes	(10,426)	(4,747)	(4,295)	(3,866)
Income tax benefit	(950)	(175)	(839)	(160)
Net loss	(9,476)	(4,572)	(3,456)	(3,706)
Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:				
Remeasurement gain on defined benefit plan	67	36	-	-
Exchange differences on translation to presentation currency	1,517	(661)	187	(99)
Total other comprehensive income that will not be reclassified to profit or loss in subsequent periods	1,584	(625)	187	(99)
Other comprehensive income (loss) that will be reclassified to profit or loss in subsequent periods:				
Adjustments arising from translating financial statements of foreign operation	(26)	466	9	311
Total other comprehensive income (loss) that will be reclassified to profit or loss in subsequent periods:	(26)	466	9	311
Total other comprehensive income (loss)	1,558	(159)	196	212
Total comprehensive loss	\$ (7,918)	\$ (4,731)	\$ (3,260)	\$ (3,494)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

Canadian Dollars in thousands, except per share data

	Note	Six months ended June 30,		Three months ended June 30,	
		2024	2023	2024	2023
(Unaudited)					
Net loss attributable to:					
Equity holders of the Company		\$ (8,652)	\$ (4,059)	\$ (3,029)	\$ (3,459)
Non-controlling interests		(824)	(513)	(427)	(247)
		<u>\$ (9,476)</u>	<u>\$ (4,572)</u>	<u>\$ (3,456)</u>	<u>\$ (3,706)</u>
Total comprehensive loss attributable to:					
Equity holders of the Company		\$ (7,101)	\$ (4,209)	\$ (2,840)	\$ (3,250)
Non-controlling interests		(817)	(522)	(420)	(244)
		<u>\$ (7,918)</u>	<u>\$ (4,731)</u>	<u>\$ (3,260)</u>	<u>\$ (3,494)</u>
Net income (loss) per share attributable to equity holders of the Company:	6				
Basic loss per share (in CAD)		\$ (0.65)	\$ (0.33)	\$ (0.23)	\$ (0.26)
Diluted loss per share (in CAD)		\$ (0.65)	\$ (0.33)	\$ (0.23)	\$ (0.26)
Earnings (loss) per share attributable to equity holders of the Company:					
Basic loss per share (in CAD)		<u>\$ (0.65)</u>	<u>\$ (0.33)</u>	<u>\$ (0.23)</u>	<u>\$ (0.26)</u>
Diluted loss per share (in CAD)		<u>\$ (0.65)</u>	<u>\$ (0.33)</u>	<u>\$ (0.23)</u>	<u>\$ (0.26)</u>

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

	Share Capital and premium	Reserve from share-based payment transactions	Conversion option for convertible debt	Translation reserve	Accumulated deficit	Total	Non- controlling interests	Total equity
Balance as of January 1, 2024	\$ 253,882	\$ 9,637	\$ -	\$ 95	\$ (249,145)	\$ 14,469	\$ (769)	\$ 13,700
Net loss	-	-	-	-	(8,652)	(8,652)	(824)	(9,476)
Total other comprehensive loss	-	-	-	1,484	67	1,551	7	1,558
Total comprehensive loss	-	-	-	1,484	(8,585)	(7,101)	(817)	(7,918)
Net proceeds of convertible debt allocated to conversion option	-	-	327	-	-	327	-	327
Other comprehensive income Classification	-	-	-	-	(748)	(748)	-	(748)
Share-based compensation	-	120	-	-	-	120	-	120
Forfeited options	84	(84)	-	-	-	-	-	-
Balance as of June 30, 2024	<u>\$ 253,966</u>	<u>\$ 9,673</u>	<u>\$ 327</u>	<u>\$ 1,579</u>	<u>\$ (258,478)</u>	<u>\$ 7,067</u>	<u>\$ (1,586)</u>	<u>\$ 5,481</u>

	Share Capital and premium	Reserve from share-based payment transactions	Translation reserve	Accumulated deficit	Total	Non- controlling interests	Total equity
Balance as of January 1, 2023	\$ 245,776	\$ 15,167	\$ 1,283	\$ (239,574)	\$ 22,652	\$ 1,145	\$ 23,797
Net loss	-	-	-	(4,059)	(4,059)	(513)	(4,572)
Total other comprehensive loss	-	-	(186)	36	(150)	(9)	(159)
Total comprehensive loss	-	-	(186)	(4,023)	(4,209)	(522)	(4,731)
Issuance of common shares	2,351	-	-	-	2,351	-	2,351
Share-based compensation	-	121	-	-	121	-	121
Forfeited options	671	(671)	-	-	-	-	-
Balance as of June 30, 2023	<u>\$ 248,798</u>	<u>\$ 14,617</u>	<u>\$ 1,097</u>	<u>\$ (243,597)</u>	<u>\$ 20,915</u>	<u>\$ 623</u>	<u>\$ 21,538</u>

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Canadian Dollars in thousands

	Six months ended June 30,	
	2024	2023
<u>Cash provided by operating activities:</u>		
Net income (loss) for the period	\$ (9,476)	\$ (4,572)
Adjustments for non-cash items:		
Fair value adjustment on sale of inventory	25	617
Fair value adjustment on Warrants, investments and accounts receivable	20	(3,304)
Interest recorded in respect of the convertible debt	115	-
Depreciation of property, plant and equipment	226	337
Amortization of intangible assets	769	898
Depreciation of right-of-use assets	196	352
Finance expenses, net	1,792	2,683
Deferred tax liability, net	(107)	(220)
Share-based payment	120	121
Loss from deconsolidation of subsidiary	2,764	-
Net proceeds of convertible debt allocated to conversion option	327	-
	<u>6,247</u>	<u>1,484</u>
Changes in working capital:		
Increase in trade receivables	(5,821)	(2,428)
Increase in other accounts receivable and advances to suppliers	(256)	(2,572)
Decrease in inventories, net of fair value adjustments	3,424	1,484
Decrease (increase) in trade payables	7,309	(5,078)
Changes in employee benefit liabilities, net	(47)	(106)
Increase in other accounts payable and accrued expenses	(892)	(992)
	<u>3,717</u>	<u>(9,692)</u>
Taxes paid	(120)	(432)
Net cash provided (used) in operating activities	<u>368</u>	<u>(13,212)</u>
<u>Cash flows from investing activities:</u>		
Purchase of property, plant and equipment	(52)	(553)
Deconsolidation of subsidiary	(346)	-
Net cash used in investing activities	<u>\$ (398)</u>	<u>\$ (553)</u>

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Canadian Dollars in thousands

	Six months ended	
	June 30,	
	2024	2023
Cash flow from financing activities:		
Proceeds from issuance of share capital, net of issuance costs	\$ -	\$ 1,688
Proceeds from issuance of warrants	-	6,585
Repayment of lease liability	(197)	(345)
Interest paid - lease liability	(25)	(34)
Repayment of bank loan and credit facilities	(2,392)	(1,060)
Cash paid for interest	(1,054)	(124)
Proceeds from discounted checks	4,311	3,967
Net cash provided by financing activities	643	10,677
Effect of foreign exchange on cash and cash equivalents	(1,726)	1,960
Decrease in cash and cash equivalents	(1,113)	(1,128)
Cash and cash equivalents at beginning of the period	1,813	2,449
Cash and cash equivalents at end of the period	\$ 700	\$ 1,321
Supplemental disclosure of non-cash activities:		
Right-of-use asset recognized with corresponding lease liability	\$ 40	\$ 49
Issuance of shares in payment of debt settlement to a non-independent director of the company	\$ -	\$ 1,061

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



IM CANNABIS CORP.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

As of June 30, 2024

(Unaudited)

IM CANNABIS CORP.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2024

Canadian dollars in thousands

(Unaudited)

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian Dollars in thousands

	Note	June 30, 2024 <u>(Unaudited)</u>	December 31, 2023 <u>(Audited)</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		\$ 700	\$ 1,813
Trade receivables		12,087	7,651
Advances to suppliers		788	936
Other accounts receivable		3,648	3,889
Inventories	3	<u>5,719</u>	<u>9,976</u>
		<u>22,942</u>	<u>24,265</u>
NON-CURRENT ASSETS:			
Property, plant and equipment, net		4,052	5,058
Investments in affiliates		2,284	2,285
Right-of-use assets, net		626	1,307
Intangible assets, net		3,678	5,803
Goodwill		<u>6,634</u>	<u>10,095</u>
		<u>17,274</u>	<u>24,548</u>
Total assets		<u>\$ 40,216</u>	<u>\$ 48,813</u>

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian Dollars in thousands

	Note	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables		\$ 13,877	\$ 9,223
Bank loans and credit facilities		12,746	12,119
Other accounts payable and accrued expenses		4,486	6,218
Accrued purchase consideration liabilities		-	2,097
PUT Option liability		-	2,697
Convertible debt		2,002	-
Current maturities of operating lease liabilities		292	454
		<u>33,403</u>	<u>32,808</u>
NON-CURRENT LIABILITIES:			
Warrants measured at fair value	4	57	38
Operating lease liabilities		301	815
Long-term loans		401	394
Employee benefit liabilities, net		47	95
Deferred tax liability, net		526	963
		<u>1,332</u>	<u>2,305</u>
Total liabilities		<u>34,735</u>	<u>35,113</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital and premium	5	253,966	253,882
Translation reserve		1,579	95
Reserve from share-based payment transactions		9,673	9,637
Conversion option for convertible debt		327	-
Accumulated deficit		(258,478)	(249,145)
Total equity attributable to equity holders of the Company		7,067	14,469
Non-controlling interests		(1,586)	(769)
Total equity		<u>5,481</u>	<u>13,700</u>
Total liabilities and equity		<u>\$ 40,216</u>	<u>\$ 48,813</u>

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)**

Canadian Dollars in thousands, except per share data

	Six months ended June 30,		Three months ended June 30,	
	2024	2023	2024	2023
	(Unaudited)			
Revenues	\$ 26,813	\$ 25,736	\$ 14,750	\$ 13,207
Cost of revenues	24,165	18,759	13,891	9,473
Gross profit before fair value adjustments	2,648	6,977	859	3,734
Fair value adjustments:				
Realized fair value adjustments on inventory sold in the period	(25)	(617)	(15)	(278)
Total fair value adjustments	(25)	(617)	(15)	(278)
Gross profit	2,623	6,360	844	3,456
General and administrative expenses	4,495	5,563	2,163	2,389
Selling and marketing expenses	3,773	5,427	1,481	2,622
Restructuring expenses	-	617	-	334
Share-based compensation	120	121	88	(137)
Loss on deconsolidation	2,734	-	(19)	-
Total operating expenses	11,122	11,728	3,713	5,208
Operating loss	8,499	5,368	2,869	1,752
Finance income (expenses), net	(1,927)	621	(1,426)	(2,114)
Loss before income taxes	(10,426)	(4,747)	(4,295)	(3,866)
Income tax benefit	(950)	(175)	(839)	(160)
Net loss	(9,476)	(4,572)	(3,456)	(3,706)
Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:				
Remeasurement gain on defined benefit plan	67	36	-	-
Exchange differences on translation to presentation currency	1,517	(661)	187	(99)
Total other comprehensive income that will not be reclassified to profit or loss in subsequent periods	1,584	(625)	187	(99)
Other comprehensive income (loss) that will be reclassified to profit or loss in subsequent periods:				
Adjustments arising from translating financial statements of foreign operation	(26)	466	9	311
Total other comprehensive income (loss) that will be reclassified to profit or loss in subsequent periods:	(26)	466	9	311
Total other comprehensive income (loss)	1,558	(159)	196	212
Total comprehensive loss	\$ (7,918)	\$ (4,731)	\$ (3,260)	\$ (3,494)

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)**

Canadian Dollars in thousands, except per share data

	Note	Six months ended June 30,		Three months ended June 30,	
		2024	2023	2024	2023
(Unaudited)					
Net loss attributable to:					
Equity holders of the Company		\$ (8,652)	\$ (4,059)	\$ (3,029)	\$ (3,459)
Non-controlling interests		(824)	(513)	(427)	(247)
		<u>\$ (9,476)</u>	<u>\$ (4,572)</u>	<u>\$ (3,456)</u>	<u>\$ (3,706)</u>
Total comprehensive loss attributable to:					
Equity holders of the Company		\$ (7,101)	\$ (4,209)	\$ (2,840)	\$ (3,250)
Non-controlling interests		(817)	(522)	(420)	(244)
		<u>\$ (7,918)</u>	<u>\$ (4,731)</u>	<u>\$ (3,260)</u>	<u>\$ (3,494)</u>
Net income (loss) per share attributable to equity holders of the Company:					
	7				
Basic loss per share (in CAD)		\$ (0.65)	\$ (0.33)	\$ (0.23)	\$ (0.26)
Diluted loss per share (in CAD)		<u>\$ (0.65)</u>	<u>\$ (0.33)</u>	<u>\$ (0.23)</u>	<u>\$ (0.26)</u>
Earnings (loss) per share attributable to equity holders of the Company:					
Basic loss per share (in CAD)		\$ (0.65)	\$ (0.33)	\$ (0.23)	\$ (0.26)
Diluted loss per share (in CAD)		<u>\$ (0.65)</u>	<u>\$ (0.33)</u>	<u>\$ (0.23)</u>	<u>\$ (0.26)</u>

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

	Share Capital and premium	Reserve from share-based payment transactions	Conversion option for convertible debt	Translation reserve	Accumulated deficit	Total	Non- controlling interests	Total equity
Balance as of January 1, 2024	\$ 253,882	\$ 9,637	\$ -	\$ 95	\$ (249,145)	\$ 14,469	\$ (769)	\$ 13,700
Net loss	-	-	-	-	(8,652)	(8,652)	(824)	(9,476)
Total other comprehensive loss	-	-	-	1,484	67	1,551	7	1,558
Total comprehensive loss	-	-	-	1,484	(8,585)	(7,101)	(817)	(7,918)
Net proceeds of convertible debt allocated to conversion option	-	-	327	-	-	327	-	327
Other comprehensive income Classification	-	-	-	-	(748)	(748)	-	(748)
Share-based compensation	-	120	-	-	-	120	-	120
Forfeited options	84	(84)	-	-	-	-	-	-
Balance as of June 30, 2024	\$ 253,966	\$ 9,673	\$ 327	\$ 1,579	\$ (258,478)	\$ 7,067	\$ (1,586)	\$ 5,481

	Share Capital and premium	Reserve from share-based payment transactions	Translation reserve	Accumulated deficit	Total	Non- controlling interests	Total equity
Balance as of January 1, 2023	\$ 245,776	\$ 15,167	\$ 1,283	\$ (239,574)	\$ 22,652	\$ 1,145	\$ 23,797
Net loss	-	-	-	(4,059)	(4,059)	(513)	(4,572)
Total other comprehensive loss	-	-	(186)	36	(150)	(9)	(159)
Total comprehensive loss	-	-	(186)	(4,023)	(4,209)	(522)	(4,731)
Issuance of common shares	2,351	-	-	-	2,351	-	2,351
Share-based compensation	-	121	-	-	121	-	121
Forfeited options	671	(671)	-	-	-	-	-
Balance as of June 30, 2023	\$ 248,798	\$ 14,617	\$ 1,097	\$ (243,597)	\$ 20,915	\$ 623	\$ 21,538

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,	
	2024	2023
<u>Cash provided by operating activities:</u>		
Net income (loss) for the period	\$ (9,476)	\$ (4,572)
Adjustments for non-cash items:		
Fair value adjustment on sale of inventory	25	617
Fair value adjustment on Warrants, investments and accounts receivable	20	(3,304)
Interest recorded in respect of the convertible debt	115	-
Depreciation of property, plant and equipment	226	337
Amortization of intangible assets	769	898
Depreciation of right-of-use assets	196	352
Finance expenses, net	1,792	2,683
Deferred tax liability, net	(107)	(220)
Share-based payment	120	121
Loss from deconsolidation of subsidiary	2,764	-
Net proceeds of convertible debt allocated to conversion option	327	-
	<u>6,247</u>	<u>1,484</u>
<u>Changes in working capital:</u>		
Increase in trade receivables	(5,821)	(2,428)
Increase in other accounts receivable and advances to suppliers	(256)	(2,572)
Decrease in inventories, net of fair value adjustments	3,424	1,484
Decrease (increase) in trade payables	7,309	(5,078)
Changes in employee benefit liabilities, net	(47)	(106)
Increase in other accounts payable and accrued expenses	(892)	(992)
	<u>3,717</u>	<u>(9,692)</u>
Taxes paid	<u>(120)</u>	<u>(432)</u>
Net cash provided (used) in operating activities	<u>368</u>	<u>(13,212)</u>
<u>Cash flows from investing activities:</u>		
Purchase of property, plant and equipment	(52)	(553)
Deconsolidation of subsidiary	(346)	-
Net cash used in investing activities	<u>\$ (398)</u>	<u>\$ (553)</u>

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Canadian Dollars in thousands

	Six months ended June 30,	
	2024	2023
Cash flow from financing activities:		
Proceeds from issuance of share capital, net of issuance costs	\$ -	\$ 1,688
Proceeds from issuance of warrants	-	6,585
Repayment of lease liability	(197)	(345)
Interest paid - lease liability	(25)	(34)
Repayment of bank loan and credit facilities	(2,392)	(1,060)
Cash paid for interest	(1,054)	(124)
Proceeds from discounted checks	4,311	3,967
Net cash provided by financing activities	643	10,677
Effect of foreign exchange on cash and cash equivalents	(1,726)	1,960
Decrease in cash and cash equivalents	(1,113)	(1,128)
Cash and cash equivalents at beginning of the period	1,813	2,449
Cash and cash equivalents at end of the period	\$ 700	\$ 1,321
Supplemental disclosure of non-cash activities:		
Right-of-use asset recognized with corresponding lease liability	\$ 40	\$ 49
Issuance of shares in payment of debt settlement to a non-independent director of the company	\$ -	\$ 1,061

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

NOTE 1:- GENERALa. 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 Gilil-Yam, Israel.

The Company and its subsidiaries (collectively: the "Group"), operate in geographical reporting segments (Note 8). Most of the Group's revenues are generated from sales of medical cannabis products to customers in Israel. The remaining revenues are generated from sales of medical cannabis, as well as other products, to customers in Germany.

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.

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 specializes in medical cannabis, 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 actively operated until recently through Trichome Financial Corp. and its wholly-owned subsidiaries Trichome JWC Acquisition Corp. ("TJAC") and MYM Nutraceuticals Inc. ("MYM") (collectively: "Trichome" or the "Canadian entities"). The Canadian entities are federally licensed producers of cannabis products in the adult-use recreational cannabis market in Canada. IMCC has exited its operations in Canada, and deconsolidated Trichome on November 7, 2022, pursuant to IFRS.

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

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IM CANNABIS CORP.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

NOTE 1:- GENERAL (Cont.)*Panaxia Transaction Update:*

On February 13, 2023, the Company announced that it reached an agreement, together with Panaxia, to terminate the option that the Company had, under the Panaxia Transaction, to acquire a pharmacy licensed to dispense and sell medical cannabis to patients, for no additional consideration. Under the agreement, the Company will not be required to make the fifth installment of approximately \$262 of Common Shares owed by the Company to Panaxia under the Panaxia Transaction and will receive an agreed compensation amount of approximately \$95 from Panaxia to be paid by Panaxia in services and cannabis inflorescence in accordance with the terms as agreed by the parties.

As of June 30, 2024, the amount was not received and accrued for bad debt.

Liquidity and capital resources - going concern:

As of June 30, 2024, the Group's cash and cash equivalents totaled \$700, the Group's working capital (current assets less current liabilities) amounted to \$(10,461) and the Group's accumulated loss deficit amounted to \$258,478. In the six months ended June 30, 2024, the Group had an operating loss of \$(8,499) and cash flows from operating activities of \$368.

The Group'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. In 2023 The Company's board of directors approved a cost saving plan, to allow the Company to continue its operations and meet its cash obligations. The cost saving plan consisted cost reduction due to efficiencies and synergies, included mainly the following steps: discontinued operations of loss-making activities, reduction in payroll and headcount, reduction in compensation paid to key management personnel (including layoffs of key executives), operational efficiencies and reduced capital expenditures. Those actions saves costs in 2024 and the company will continue its efforts for efficiency operations.

Despite the cost savings plan and restructuring as described above, the projected cash flows for 2024 indicate that it is uncertain that the Group will generate sufficient funds to continue its operations and meet its obligations as they become due. The Group continues to evaluate additional sources of capital and financing. However, there is no assurance that additional capital and or financing will be available to the Group, and even if available, whether it will be on terms acceptable to the Group or in amounts required.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of assets or liabilities that might be necessary should the Company be

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**Canadian Dollars in thousands, except share and per share data****NOTE 1:- GENERAL (Cont.)***Financial Statement Condensed format and Figure disclosure*

These financial statements have been prepared in a condensed format as of June 30, 2024, and for the six 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, 2023, and for the year then ended and accompanying notes (the "annual consolidated financial statements").

The figures disclosed here for the three months ended June 30, 2023, encompass updates and adjustments made during Q2 2023 to the Company's previously filed unaudited interim financial statements. The adjustments and updates were immaterial.

Debt Settlement with L5 Capital

On May 8th, 2023, the Company announced that on May 5th, 2023, it has closed the securities for debt settlement transaction with L5 Capital (the "Debt Settlement"). Pursuant to the Debt Settlement, the Company settled outstanding indebtedness of \$838,776 (approximately US\$615,615) through issuing 492,492 Units at a price of US\$1.25 per Unit. Each Unit consists of one Common Share of the Company and one Common Share purchase Warrant. Each Warrant entitles L5 Capital to purchase one additional Common Share at an exercise price of US\$1.50 per Common Share for a period of 36 months from the date of issuance. All securities issued are subject to a statutory hold period of four months and one day from the date of issuance in accordance with applicable Canadian securities legislation.

Discontinue operations and Canadian entities CCAA:

On November 7, 2022, in connection with the Company's efforts to achieve operational efficiencies, the Company announced that it is pivoting its focus and resources on growth in its highest value markets in Israel and Germany while also commencing its exit from the Canadian cannabis market as part of the Canadian Restructuring.

The Canadian operations are held through the Canadian entities and being orderly wound-down under CCAA pursuant to an initial order of the Court issued on November 7, 2022 (as amended and restated by an order made by the Court on November 17, 2022, the "Initial Order"). The Initial Order includes a broad stay (as extended from time to time, the "Stay") of all proceedings against the Canadian entities and its assets. Pursuant to the Initial Order, KSV Restructuring Inc. was appointed as monitor (the "Monitor") in the CCAA Proceedings.

On January 9, 2023, the Court issued an order in the CCAA Proceedings in respect of a motion brought by the Canadian entities to approve, among other things: a sale and investment solicitation process (the "SISP") in respect of the business and assets of the Canadian entities; and a stalking horse share purchase agreement (the "Stalking Horse Purchase Agreement") between the Canadian entities and L5 Capital Inc. ("L5"), a company wholly-owned and controlled by the executive chairman and a director of the Company, dated December 12, 2022. The SISP established a process to solicit interest for investments in, or the sale of any or all of the Canadian entities' business and assets.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**Canadian Dollars in thousands, except share and per share data****NOTE 1:- GENERAL (Cont.)**

On February 22, 2023, the Monitor issued a report (the "Monitor's Third Report") in the CCAA Proceedings advising, among other things, that (i) no qualified bids were received pursuant to the SISP, (ii) L5 informed the Canadian entities that it would not be completing the transaction contemplated by the Stalking Horse Purchase Agreement and, as a result, the Canadian entities terminated the Stalking Horse Purchase Agreement, and (iii) the Monitor continues to market for sale the Canadian entities' business and assets, including the brands and other intellectual property owned by the Canadian entities.

Pursuant to an order of the Court made on April 6, 2023 in the CCAA Proceedings (the "Reverse Vesting Order"), the Court approved a share purchase agreement (the "Share Purchase Agreement") dated March 28, 2023 among Trichome Financial Corp. ("Trichome" or the "Vendor"), 1000370759 Ontario Inc. (the "Purchaser"), Trichome JWC Acquisition Corp. ("TJAC"), Trichome Retail Corp. ("TRC"), MYM Nutraceuticals Inc. ("MYM"), MYM International Brands Inc. ("MYMB") and Highland Grow Inc. ("Highland", and collectively with TJAC, TRC, MYM and MYMB, the "Purchased Entities"). The Purchased Entities and its business and operations were sold to a party that is not related to the Company, for a purchase price of \$3,375 along with certain deferred consideration. Thus, the Company has exited operations in Canada. The Company has neither received nor is entitled to any portion of the proceeds from the Share Purchase Agreement.

On September 14, 2023, a CCAA Termination Order was granted by the Honorable Justice Osborne (upon service on the Service List of an executed certificate and the above CCAA Proceedings under the Companies Creditors' Arrangement Act and the Stay Period were terminated without any further act or formality. On September 29th, 2023, Trichome Financial Corp. filed (or was deemed to have filed) an assignment (or a bankruptcy order was made against Trichome Financial Corp.), and Goldhar & Associates Ltd., was appointed as trustee of the estate of the bankrupt by the official receiver (or the Court). The first meeting of creditors of the bankrupt was held on October 17th, 2023.

As a direct or indirect shareholder of the entities that make up the Trichome Group, the Company is subject to the priorities of other stakeholders in

the CCAA proceedings and will likely realize no return in the restructure of the Trichome Group business.

Telekana Agreement

On November 29, 2022, IMC signed on a convertible loan agreement with Telekana Ltd. ("Telekana"), a Pharmacy for sell of medical Cannabis accordingly IMC will loan a total of \$611. The loan will be converted to 1,040 shares representing 51% of the total common share of Telekana, at the earlier of the following events; (i) Telekana will receive the permit for sell of medical Cannabis from the Israeli Ministry of Health, (ii) IMC sole decision to convert. The permit was received on November 13, 2023.

For the years ended December 31, 2023, 2022, IMC recognized a revaluation gain (loss) from remeasurement of the loan.

As of June 30, 2024, IMC did not receive the Israeli Ministry of Health approval for the conversion yet.

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IM CANNABIS CORP.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

NOTE 1:- GENERAL (Cont.)

Restructuring:

On April 6, 2022, Focus closed the "Sde Avraham", cultivation facility in Israel, resulting 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.

On March 8, 2023, the Company announced its strategy plan in Israel in order to strengthen its focus on core activities and drive efficiencies to realize sustainable profitability. The Company reduced its workforce in Israel across all functions (including executives). All actions associated with the workforce reduction were completed by mid-2023, subject to applicable Israeli law. Therefore, the Company recorded restructuring expenses for the twelve months ended December 31, 2023 related mainly to salaries to employees in the amount of \$617

On June 30, 2023, the entity responsible for operating the Israeli medical cannabis distribution licensed center that was acquired within the Panaxia Transaction, ceased its operations at the licensed trading house located in Lod, Israel. Consequently, the Company transitioned the operation that was conducted through IMC Pharma to third-party entities and to its own trading house currently being operated by Rosen High Way.

Kadimastem Ltd. Preliminary Term Sheet Termination:

On February 13, 2024 the Company entered into a non-binding term sheet and a Loan Agreement, with Israel-based Kadimastem Ltd, a clinical cell therapy public company traded on the Tel Aviv Stock Exchange under the symbol (TASE:KDST) ("Kadimastem"), whereby the parties will work to complete a business combination that will constitute a reverse merger into the Company by Kadimastem.

The resulting issuer that will exist upon completion of the Proposed Transaction will change its business from medical cannabis to biotechnology and, at the closing of the Proposed Transactions (the "Closing").

Kadimastem shareholders will hold 88% of the common shares of the Company (the "Resulting Issuer Shares") and the shareholders of the Company will hold 12% of the Resulting Issuer Share. Parties may agree, in the Definitive Agreement, on a different structure of equity in lieu of the warrants with a similar result. The Proposed Transaction is an arm's length transaction Prior to Closing, IMC's existing medical cannabis operation and other current activities in Israel and Germany (the "Legacy Business") will be restructured (the "Spin-Out") as a contingent value right (the "CVR"). The CVR will entitle the holders thereof to receive net cash, equity, or other net value upon the sale of the Legacy Business.

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IM CANNABIS CORP.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

NOTE 1:- GENERAL (Cont.)

The Legacy Business will be made available for potential sale to a third party for a period of up to 12 months from Closing (the "Record Date"). After the Record Date, any remaining Legacy Business in the CVR will be offered for sale through a tender process, subject to the terms of the best offer. The proceeds from the sale of the Legacy Business will be utilized to settle debts and distribute the remaining balance, if any, to CVR holders.

On February 28, 2024, Pursuant to the terms of the Term Sheet, a loan agreement was signed between IMC, a wholly owned subsidiary of the Company and Kadimastem. Accordingly, Kadimastem will provide a loan of up to US\$ 650,000 to IMC, funded in two installments: US\$300,000 upon signing the Loan Agreement and US\$350,000 upon the execution of the definitive agreement regarding the Proposed Transaction (the "Loan").

The Loan accrues 9.00% interest per annum, for 12 months and is secured by the following collaterals and guarantees: (a) 10% of the proceeds derived from any operation sale under the CVR ("Charged Rights"), limited to the outstanding Loan Amount and expenses according to the Loan Agreement, accordingly IMC may, at its sole discretion, to record a second-ranked fixed charge over the Charged Rights or, alternatively, in case the existing pledges over the Charged Rights at the date of signing this Loan Agreement are subsequently discharged or removed, then the Borrower shall promptly record a first-ranking fixed charge over the Charged Assets with all applicable public records; provided that IMC shall not impose any new lien, mortgage, charge or pledge over the Charged Rights that did not exist on the date hereof, or any other liens, subject to customary exclusions; (b) IMC shall use its best efforts to record a first-ranking fixed charge over the assets of its subsidiary, R.A Yarok Pharm

Ltd, in due course when applicable and as deemed appropriate; and (c) a personal guarantee by Mr. Oren Shuster, IMC's CEO.

On May 28, 2024, the Company announced the termination of the preliminary term sheet signed on February 13, 2024 with Kadimastem Ltd. According to the separation agreement signed with Kadimastem, as a result of this termination, the loan provided to IMC by Kadimastem in a total amount of US\$300,000 will be repaid together with 9% annual interest accrued thereon, in three installments by July 31st, 2024.

NASDAQ Compliance Notice

On August 1, 2023, the Company received written notification from Nasdaq (the "Notification Letter") provided that the closing bid price of the Common Shares had fallen below US\$1.00 per share over a period of 30 consecutive business days, with the result that the Company was not in compliance with the Minimum Share Price Listing Requirement. The Notification Letter provided that the Company has until January 16, 2024, being 180 calendar days following receipt of such notice to regain compliance with the Minimum Share Price Listing Requirement for a minimum of 10 consecutive business days.

On January 31, 2024, the Company announced that it has received a 180-calendar day extension, until July 29, 2024, from the Nasdaq Stock Market ("Nasdaq"), to regain compliance with Nasdaq Marketplace Rule 5550(a)(2) (the "Bid Price Rule").

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IM CANNABIS CORP.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

NOTE 1:- GENERAL (Cont.)

Tax on Premiums in Respect of Insurance Effected Outside Canada

By Notice of Assessment for Excise Tax dated October 23, 2023 and covering the period January 1, 2020 to December 31, 2020, IM Cannabis Corp. was assessed tax on insurance of \$199, arrears interest of \$36 and a failure to file penalty of \$8 (collectively, the "2020 Assessment").

By Notice of Assessment for Excise Tax dated October 23, 2023 and covering the period January 1, 2021 to December 31, 2021, IM Cannabis Corp. was assessed excise tax on insurance of \$73, arrears interest of \$2 and a failure to file penalty of \$0.5 (collectively, the "2021 Assessment").

On November 29, 2023, the Company filed Notices of Objection (Excise Tax Act) to the 2020 Assessment and the 2021 Assessment. The Company assess the filed Notices of Objection (Excise Tax Act) to be low to medium complexity.

On April 26, 2024, the Company received a letter from the CRA that the Notice of Assessment for Excise Tax that the Company objected to will be voided and no outstanding balance will be owed with respect to such assessments. Based on the forgoing, this matter has been resolved to the Company's satisfaction and the objections were finalized.

35 Oak Holdings Ltd – Statement of Complaint

On November 17, 2023, the Company received a copy of a Statement of Claim that was filed in the Ontario Superior Court of Justice in Canada by 35 Oak Holdings Ltd., MW Investments Ltd., 35 Oak Street Developments Ltd., Michael Wiener, Kevin Weiner, William Weiner, Lily Ann Goldstein-Weiner, in their capacity as trustees of the Weiner Family Foundation against the Company and its board of directors, Board and officers.

MYM Shareholder Plaintiffs claims that the MYM Defendants made misrepresentations in its disclosures prior to the Company's transaction with MYM in 2021. The MYM Shareholder Plaintiffs are claiming damages that amount to approximately \$15,000 and aggravated, exemplary and punitive damages in the amount of \$1,000.

The Company, together with some of the Defendants brought, on February 22, 2024, a preliminary motion to strike out several significant parts of the claim (the "**Motion**"). The Motion has not been scheduled by the court.

At this time, the Company's management is of the view that the Motion has merit and is likely to succeed in at least narrowing the scope of the claim against the Company, and that it may also result in certain of the claims against individuals being dismissed altogether, and if not dismissed narrowed in scope and complexity.

On June 17, 2024, an Amended Statement of Claim was filed in the Ontario Superior Court of Justice in Canada by the MYM Shareholder Plaintiffs.

The Company plans to vigorously defend itself against the allegations. At this stage, the Company management cannot assess the chances of the claim advancing or the potential outcome of these proceedings.

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IM CANNABIS CORP.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

NOTE 1:- GENERAL (Cont.)

Oranim pharmacy

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 agreed to be paid in cash on the first quarter of 2023 and NIS1,500 thousand (approximately \$700) in Common Shares.

As of April 2023, amendment was signed accordingly the remaining amount will be paid in six equal installments until February 2024. As of December 31, 2023, the agreed amount to be paid was not exercised.

Through a new amendment signed January 10, 2024, all remaining unpaid installments has been postponed to April 15, 2024. All six installments (that remain unpaid) will incur a 15% interest charge. Failure to meet the remaining payments will result in the transfer of IMC Holdings Ltd. shares (51%) back to the seller, along with the revocation of the transaction.

On April 16, 2024, the Company announced that following a reconciliation between the parties regarding all remaining unpaid installments (\$1,930) by the company, relating to the Oranim Pharmacy Acquisition completed on March 28, 2022, the parties have mutually agreed to deconsolidate the transaction. As a result, the Company shares (51%) were transferred back to the seller (see also note 9).

Exercise of Focus Option

On November 30, 2023, IMC Holdings acted to exercise its option to purchase the 74% interest in Focus held by Oren Shuster and Rafael Gabay by submitting a request to the IMCA which approved the transaction on February 25, 2024. As of June 30, 2024, IMC Holdings holds 74% of Focus shares.

Legalization of Cannabis in Germany

Germany legalized cannabis on April 1, 2024, facilitating the access to medical cannabis prescriptions for patients and legalizing non-profit social clubs starting July 1, 2024

Credit facilities

- a. On April 17, 2024, one of the Company fully owned subsidiaries entered into a loan agreement with a non-financial institute in the amount of approximately \$1,095. Such loan bear interest at an annual rate of 5% and mature 12 months from the date of issuance.
- b. On April 17, 2024, IMC Holdings signed an amendment to extend the loan agreement with a non-financial institute from April 18, 2024, to April 18, 2025, of approximately \$660, with an annual interest rate of 17% with no additional fees associated.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

NOTE 1:- GENERAL (Cont.)

Convertible Debenture Offering

In May 26, 2024, the Company has closed a non-brokered private placement of secured convertible debentures ("Debentures") of the Company for aggregate proceeds of \$2,092. The Debentures were issued to holders of short-term loans and obligations owed by the Company or its wholly owned subsidiaries and were inclusive of a 10% extension fee in full settlement of such debt to the holders. The Debentures may be converted into common shares in the Company at a conversion price of \$0.85 per Share. The Debentures will mature on May 26, 2025, and will not incur interest except in the event of default.

Israel Hamas war

On October 7, 2023, a war between the terror organization Hamas and Israel began. This war has an impact on the company's business operations. The company has suffered a negative impact since and there will be a potential positive effect in the medium to long term.

Change to Board of Directors

On June 5, 2024, Mr. Marc Lustig, a director of the Company and a Chairman of the Board of Directors, stepped down from his positions. The Board of Directors has appointed Oren Shuster, currently a director and CEO of IMC, as the new Chairman of the Board of Directors of IMC.

- b. Approval of consolidated financial statements:

These consolidated financial statements of the Company were authorized for issue by the board of directors on August 13, 2024

- c. Definitions:

In these financial statements:

The Company, or IMCC	-	IM Cannabis Corp.
The Group	-	IM Cannabis Corp., its Subsidiaries
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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**Canadian Dollars in thousands, except share and per share data****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES**

a. Basis of Presentation and Measurement:

The interim condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards 34, "Interim Financial Reporting" ("IAS 34").

The interim condensed consolidated financial statements are presented in Canadian dollars and are prepared in accordance with the same accounting policies, described in the Company's annual consolidated financial statements. The following new accounting standards applied or adopted during the six months ended June 30, 2024, and had no impact on the Interim Financial Statements:

1. Amendments to IAS 1, "Non-Current liabilities with Covenants and Classification of Liabilities as current or non-current":

In January 2020, the IASB issued amendments to IAS 1, regarding the criteria for classifying liabilities with covenants as current or non-current.

In October 2022 the IASB issued an additional amendment accordingly a Company has to disclose of the book value of the liability and information on the financial benchmarks as well as facts and circumstances at the end of the reporting period that may lead to the conclusion that the entity will have difficulty in complying with the financial covenants. The Amendment is applicable for annual periods beginning on or after January 1, 2024.

The Company has a loan that is presently convertible into Ordinary shares of the Company. The conversion component is classified in the financial statements as a financial liability.

2. Amendment to IFRS 16, "LEASES":

In September 2022, the IASB issued an amendment to IFRS 16, "Lease Liability in a Sale and Leaseback" ("IFRS 16"), which provides accounting treatment in the financial statements of the seller-lessee in sale and leaseback transactions when the lease payments are variable lease payments that do not depend on the index or the exchange rate. As part of the amendment, the seller-lessee is required to adopt one of two approaches to measuring the liability for the lease at the time of first recognition of such transactions. The chosen approach constitutes an accounting policy that must be applied consistently.

The Amendment is applicable for annual periods beginning on or after January 1, 2024.

The Amendment did not have a material impact on the Company interim consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**Canadian Dollars in thousands, except share and per share data****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

3. Amendments to IAS 7 and IFRS 7, "Statement of Cash Flows", and IFRS 7, "Financial Instruments: Disclosures":

In May 2023, the IASB published amendments to International Accounting Standard 7, Statement of Cash Flows, and IFRS 7, Financial Instruments: Disclosures (hereinafter: "the amendments"), to clarify the characteristics of to address the presentation of liabilities and the associated cash flows arising out of supplier finance arrangements, as well as disclosures required for such arrangements.

The disclosure requirements in the amendments are intended to assist and enable users of the financial statements to assess the effects of supplier financing arrangements on the entity's obligations as well as on the entity's cash flows and exposure to liquidity risk. The Amendment is applicable for annual periods beginning on or after January 1, 2024.

According to the transition provisions of the Amendments, the Company is not required to provide disclosures in interim periods during the first year of adoption, and therefore the above Amendments did not have a material impact on the Company's condensed interim consolidated financial statements. However, the Amendments are expected to affect the disclosures of supplier finance arrangements in the Company's annual consolidated financial statements.

4. IFRS 18, "Presentation and Disclosure in Financial Statements":

In April 2024, the International Accounting Standards Board ("the IASB") issued IFRS 18, "Presentation and Disclosure in Financial Statements" ("IFRS 18") which replaces IAS 1, "Presentation of Financial Statements".

IFRS 18 is aimed at improving comparability and transparency of communication in financial statements.

IFRS 18 retains certain existing requirements of IAS 1 and introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information.

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IM CANNABIS CORP.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

IFRS 18 does not modify the recognition and measurement provisions of items in the financial statements. However, since items within the statement of profit or loss must be classified into one of five categories (operating, investing, financing, taxes on income and discontinued operations), it may change the entity's operating profit. Moreover, the publication of IFRS 18 resulted in consequential narrow scope amendments to other accounting standards, including IAS 7, "Statement of Cash Flows", and IAS 34, "Interim Financial Reporting".

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, and is to be applied retrospectively. Early adoption is permitted but will need to be disclosed.

The Company is evaluating the effects of IFRS 18, including the effects of the consequential amendments to other accounting standards, on its 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.

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IM CANNABIS CORP.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

NOTE 3:- INVENTORIES

The following is a breakdown of inventory as of June 30, 2024:

	<u>June 30, 2024</u>		
	<u>Capitalized costs</u>	<u>Fair valuation adjustment, net</u>	<u>Carrying value</u>
Work in progress:			
Bulk cannabis	\$ 2,224	\$ -	\$ 2,224
Finished goods			
Packaged dried cannabis	2,964	25	2,989
Other products	506	-	506
Balance as of June 30, 2024	<u>\$ 5,694</u>	<u>\$ 25</u>	<u>\$ 5,719</u>

The following is a breakdown of inventory as of December 31, 2023:

	<u>December 31, 2023</u>		
	<u>Capitalized costs</u>	<u>Fair valuation adjustment, net</u>	<u>Carrying value</u>
Work in progress:			
Bulk cannabis	\$ 3,735	\$ -	\$ 3,735
Finished goods:			
Packaged dried cannabis	4,667	984	5,651
Other products	590	-	590
Balance as of December 31, 2023	<u>\$ 8,992</u>	<u>\$ 984</u>	<u>\$ 9,976</u>

During the six months ended June 30, 2024, and 2023, inventory expensed to cost of goods sold of cannabis products was \$2,586 and \$17,716, respectively, which included \$25 and \$617 of non-cash expense, respectively, related to the changes in fair value of inventory sold.

Cost of revenues in six months period ended June 30, 2024 and 2023, also include production overhead not allocated to costs of inventories produced and

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

NOTE 4:- 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.

<u>Financial Instruments Measured at Fair Value</u>	<u>Fair Value Method</u>
Liability for Warrants *)	Black & Scholes model (Level 3 category)
Investment in Xinteza	Market comparable (Level 3 category)

Management believes that the carrying amount of cash and cash equivalents, trade receivables, other accounts receivable, 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) expense from revaluation of Warrants measured at fair value, for the six months ended June 30, 2024 and 2023, amounted to \$20 and \$(3,304), respectively.

The Warrants fair value as of June 30, 2024 was measured using the Black & Scholes model with the following key assumptions:

	<u>Issue date</u>		
	<u>February</u>		
	<u>May 2023</u>	<u>2023</u>	<u>May 2021</u>
Expected volatility	48.43%	48.43%	48.43%
Share price (Canadian Dollar)	0.63	0.63	0.63
Expected life (in years)	1.849	1.603	1.849
Risk-free interest rate	4.9%	4.9%	4.9%
Expected dividend yield	0%	0%	0%
Fair value:			
Per Warrant (Canadian Dollar)	\$ 0.014	\$ 0.01	\$ 0
Total Warrants (Canadian Dollar in thousands)	\$ 7	\$ 50	\$ 0

- B. On May 26, 2024, the Company has closed a non-brokered private placement of Debentures of the Company. The Debentures fair value for the issuance date was measured using 16.55% IRR and was summarized to \$1,975 of Convertible Debt and \$327 of conversion option for Convertible Debt.

Finance (income) expense in respect of the Convertible Debt for the six months ended June 30, 2024, and 2023, amounted to \$42 and \$nil, respectively.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

NOTE 5:- EQUITY

- a. Composition of share capital:

	<u>June 30,</u>		<u>December 31,</u>	
	<u>2024</u>		<u>2023</u>	
	<u>Authorized</u>	<u>Issued and outstanding</u>	<u>Authorized</u>	<u>Issued and outstanding</u>
Common Shares without par value	Unlimited	13,394,136	Unlimited	13,394,136

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 declared and to participate in the distribution of surplus assets in case of liquidation of the Company.

On November 14, 2022, the Company's shareholders general meeting resolved to consolidate all its issued and outstanding Ordinary shares on a ten (10) to one (1) basis (the "Share Consolidation"). All share and per share amounts in these consolidated financial statements, give effect to the Share Consolidation for all periods presented (see also note 10).

- b. Capital issuances:

LIFE Offering

In January and February of 2023, the Company issued an aggregate of 2,828,248 units of the Company (each a "Unit") at a price of US\$1.25 (\$1.66) per Unit for aggregate gross proceeds of US\$3,535 (\$4,702) thousand in a series of closings pursuant to a non-brokered private placement offering to purchasers resident in Canada (except the Province of Quebec) and/or other qualifying jurisdictions relying on the listed issuer financing exemption under Part 5A of National Instrument 45-106 – Prospectus Exemptions (the "LIFE Offering"). Each Unit consisted of one Common Share and one Common Share purchase warrant (each, a "Warrant"), with each Warrant entitling the holder thereof to purchase one additional Common Share at an exercise price of US\$1.50 (\$1.99) for a period of 36 months from the date of issue.

In addition, a non-independent director of the Company subscribed for an aggregate of 131,700 Units under the LIFE Offering at an aggregate subscription price of US\$165 (\$219). The director's subscription price was satisfied by the settlement of US\$165 in debt owed by the Company to the director for certain consulting services previously rendered by the director to the Company.

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IM CANNABIS CORP.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

NOTE 5:- EQUITY (Cont.)

Concurrent Offering

Concurrent with the LIFE Offering, the Company issued an aggregate of 2,317,171 Units on a non-brokered private placement basis at a price of US\$1.25 (\$1.66) per Unit for aggregate gross proceeds of US\$2,896 (\$3,852) (the "Concurrent Offering"). The Concurrent Offering was led and participated by insiders of the Company of 1,159,999 Units out of the total Concurrent offering Units. The Units offered under the Concurrent Offering were offered for sale to purchasers in all provinces and territories of Canada and jurisdictions outside Canada.

Pursuant to available prospectus exemptions other than for the LIFE Offering exemption.

All Units issued under the Concurrent Offering were subject to a statutory hold period of four months and one day in accordance with applicable Canadian securities laws.

- c. Changes in issued and outstanding share capital:

	<u>Number of shares</u>
Balance as of January 1, 2024	13,394,136
Issuance of Common Shares	<u>-</u>
Balance as of June 30, 2024	<u>13,394,136</u>

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:

	<u>Six months ended June 30, 2024</u>	
	<u>Number of options</u>	<u>Weighted average exercise price in CAD</u>
Options outstanding at the beginning of the period	325,452	\$ 28.72
Options forfeited during the period	<u>-</u>	<u>-</u>
Options outstanding at the end of the period	<u>325,452</u>	<u>\$ 28.72</u>
Options exercisable at the end of the period	<u>315,757</u>	<u>\$ 29.53</u>

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IM CANNABIS CORP.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

NOTE 6:- SELECTED STATEMENTS OF PROFIT OR LOSS DATA

	<u>Six months ended June 30,</u>	<u>Three months ended June 30,</u>
--	--------------------------------------	--

	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Salaries and related expenses	\$ 3,250	\$ 4,260	\$ 1,372	\$ 1,802
Depreciation and amortization	\$ 1,191	\$ 1,587	\$ 511	\$ 778

NOTE 7:- NET EARNINGS (LOSS) PER SHARE

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

	<u>Six months ended June 30,</u>			
	<u>2024</u>		<u>2023</u>	
	Weighted average number of shares (in thousands)	Net income (loss) attributable to equity holders of the Company	Weighted average number of shares (in thousands)	Net income (loss) attributable to equity holders of the Company
For the computation of basic net earnings from continuing operations	13,394	\$ (8,652)	12,232	\$ (4,059)
Effect of potential dilutive Common Shares	-	-	-	-
For the computation of diluted net earnings from continuing operations	<u>13,394</u>	<u>\$ (8,652)</u>	<u>12,232</u>	<u>\$ (4,059)</u>

	<u>Three months ended June 30,</u>			
	<u>2024</u>		<u>2023</u>	
	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 from continuing operations	13,394	\$ (3,029)	13,184	\$ (3,459)
Effect of potential dilutive Common Shares	-	-	-	-
For the computation of diluted net earnings from continuing operations	<u>13,394</u>	<u>\$ (3,029)</u>	<u>13,184</u>	<u>\$ (3,459)</u>

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IM CANNABIS CORP.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

NOTE 8:- 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 two operating segments (after the reclassification of the operating activities of the Trichome Group in Canada as discontinued operations).

Six months ended June 30, 2024:

	<u>Israel</u>	<u>Germany</u>	<u>Adjustments</u>	<u>Total</u>
Revenue	\$ 22,153	\$ 4,660	\$ -	\$ 26,813
Segment gain (loss)	\$ (7,332)	\$ 351	\$ -	\$ (6,981)
Unallocated corporate expenses			\$ (1,518)	\$ (1,518)
Total operating loss				<u>\$ (8,499)</u>
Depreciation, amortization and impairment	\$ 1,118	\$ 73	\$ -	\$ 1,191

Six months ended June 30, 2023:

	<u>Israel</u>	<u>Germany</u>	<u>Adjustments</u>	<u>Total</u>
Revenue	\$ 23,109	\$ 2,627	\$ -	\$ 25,736
Segment loss	\$ (1,842)	\$ (767)	\$ -	\$ (2,609)
Unallocated corporate expenses			\$ (2,759)	\$ (2,759)
Total operating loss				\$ (5,368)
Depreciation, amortization and impairment	\$ 1,509	\$ 78	\$ -	\$ 1,587

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IM CANNABIS CORP.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

NOTE 8:- OPERATING SEGMENTS (Cont.)

Three months ended June 30, 2024:

	<u>Israel</u>	<u>Germany</u>	<u>Adjustments</u>	<u>Total</u>
Revenue	\$ 11,242	\$ 3,508	\$ -	\$ 14,750
Segment gain (loss)	\$ (2,824)	\$ 667	\$ -	\$ (2,157)
Unallocated corporate expenses			\$ (712)	\$ (712)
Total operating loss				\$ (2,869)
Depreciation, amortization and impairment	\$ 463	\$ 48	\$ -	\$ 511

Three months ended June 30, 2023:

	<u>Israel</u>	<u>Germany</u>	<u>Adjustments</u>	<u>Total</u>
Revenue	\$ 11,672	\$ 1,535	\$ -	\$ 13,207
Segment loss	\$ (225)	\$ (210)	\$ -	\$ (435)
Unallocated corporate expenses			\$ (1,317)	\$ (1,317)
Total operating loss				\$ (1,752)
Depreciation, amortization and impairment	\$ 729	\$ 49	\$ -	\$ 778

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IM CANNABIS CORP.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

NOTE 9:- DECONSOLIDATION OF ORANIM PHARMACY

On April 16, 2024, the Company announced that following a reconciliation between the parties regarding all remaining unpaid installments (\$,930) by the company, relating to the Oranim Pharmacy Acquisition completed on March 28, 2022, the parties have mutually agreed to deconsolidate the transaction. As a result, the Company shares (51%) were transferred back to the seller.

The assets and liabilities of Oranim included in the consolidated statement of financial position as of December 31, 2023, and immediately prior to the deconsolidation on April 15, 2024, are as follows:

	<u>April 15, 2024</u>	<u>December 31, 2023</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 346	\$ 308

Trade receivables	1,324	1,289
Other accounts receivable	758	761
Inventories	837	725
	3,265	3,083
Non-current assets:		
Property, plant and equipment, net	783	802
Right-of-use assets, net	533	565
Intangible assets, net	1,414	1,575
Goodwill	3,499	3,455
	6,229	6,397
Total Assets	\$ 9,494	\$ 9,480
	April 15,	December 31,
	2024	2023
LIABILITIES		
Current liabilities:		
Trade payables	\$ 1,597	\$ 1,477
Other accounts payable and accrued expenses	176	230
Purchase consideration payable	2,172	2,097
Put option liability	1,973	2,697
Current maturities of operating lease liabilities	155	152
	6,073	6,653
Non-current liabilities:		
Lease liabilities	372	406
Deferred tax liability, net	326	364
	698	770
Total liabilities	\$ 6,771	\$ 7,423
Non controlling interest	\$ (41)	\$ 219

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IM CANNABIS CORP.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Canadian Dollars in thousands, except share and per share data

NOTE 10:- SUBSEQUENT EVENTS

a. Short-term Loan Agreement

On July 1st, 2024, IMC Holdings entered into a short-term loan agreement with a non-financial institute in the amount of \$,113. Such loan bear interest at an annual rate of 12% and mature 62 days from the date of signing the loan agreement.

b. Consolidation 2024

On July 12, 2024, the Company consolidated its issued and outstanding common shares based on one post-consolidated Common Share for every six pre-consolidated Common Shares.

Post Consolidation, total Common Shares were reduced from 13,394,136 to 2,232,357 Common Shares.

c. NASDAQ Notification of Regaining Compliance

On July 26, 2024, the Company received a formal notice from The Nasdaq Stock Market, LLC ("Nasdaq") stating that the Company has regained compliance with the minimum bid price requirement set forth in Rule 5550(a)(2) of the Nasdaq Listing.

The Company is now in compliance with all applicable listing standards and will continue to be listed and traded on the NASDAQ Stock Market.

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IM Cannabis Corp.

Management's Discussion and Analysis



For the Three and Six Months Ended June 30, 2024

August 14, 2024



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Management’s Discussion and Analysis

INTRODUCTION

IM Cannabis Corp. (“**IM Cannabis**” or the “**Company**”) is a British Columbia company operating in 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.

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, 2024. Throughout this MD&A, unless otherwise specified, references to “we”, “us”, “our” or similar terms, as well as the “Company” and “IM Cannabis” refer to IM Cannabis Corp., together with its subsidiaries, on a consolidated basis, and the “Group” refers to the Company, its subsidiaries, and Focus Medical Herbs Ltd.

This MD&A should be read in conjunction with the interim condensed consolidated financial statements of the Company and the notes thereto for the three and six months ended June 30, 2024 (the “**Interim Financial Statements**”) and with the Company’s audited annual consolidated financial statements and the notes thereto for the year ended December 31, 2023 (the “**Annual Financial Statements**”). References herein to “Q2 2024” and “Q2 2023” refer to the three and six months ended June 30, 2024 and June 30, 2023, respectively, and references to “2023” refer to the year ended December 31, 2023.

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 for the three and six months ended June 30, 2024, include the accounts of the Group, which includes, among others, the following entities:

Legal Entity	Jurisdiction	Relationship with the Company
I.M.C. Holdings Ltd. (“ IMC Holdings ”)	Israel	Wholly-owned subsidiary
I.M.C. Pharma Ltd. (“ IMC Pharma ”)	Israel	Wholly-owned subsidiary of IMC Holdings
I.M.C. Farms Israel Ltd. (“ IMC Farms ”)	Israel	Wholly-owned subsidiary of IMC Holdings
Focus Medical Herbs Ltd. (“ Focus ”)	Israel	Subsidiary of IMC Holdings *
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
Revolv 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

* Effective February 26, 2024, IMC Holdings exercised its option to acquire a 74% ownership stake in Focus.

** Effective April 15, 2024, Oranim Plus is no longer a subsidiary of IMC Holdings. For more information, please see *Corporate Highlights and Events – Key Highlights for the quarter ended June 30, 2024* below.

*** Discontinued operations. For more information, please see the Company’s Annual Report, available on the Company’s profile on SEDAR+ at www.sedarplus.ca and on EDGAR at www.sec.gov/edgar.

Management's Discussion and Analysis

In this MD&A, unless otherwise indicated, all references: (i) "Company Subsidiaries" are to the Israeli Subsidiaries and Adjupharm, (ii) "Israeli Operations" are to IMC Holdings and the Israeli Subsidiaries and (iii) "Trichome" are to Trichome Financial Corp. and its subsidiaries.

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 "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". As of February 26, 2024, IMC Holdings holds 74% of Focus shares.

EXECUTIVE SUMMARY

OVERVIEW – CURRENT OPERATIONS IN ISRAEL AND GERMANY

IM Cannabis is an international cannabis company that is focused on providing premium cannabis products to medical patients in Israel and Germany, two prominent countries in the global medical cannabis industry. With the April 1st, 2024, partial cannabis legalization in Germany, the cannabis market is delivering accelerated growth, especially within the medical sector as the barriers to entry for new patients have lowered. The trend is expected to continue as new users enter the market. IM Cannabis is shifting its focus and resources to concentrate on the burgeoning German cannabis market where the Company is expected to drive accelerated growth. The Company leverages a transnational ecosystem powered by a unique data-driven approach and a globally sourced product supply chain. With an unwavering commitment to responsible growth and compliance with the strictest regulatory environments, the Company strives to amplify its commercial and brand power to become a global high-quality cannabis player.

Management's Discussion and Analysis

On November 7, 2022, the Company has exited its operations in Canada, deconsolidated Trichome pursuant to IFRS10 and announced that it is pivoting its focus and resources to achieve sustainable and profitable growth in its highest value markets, Israel and Germany, while also commencing its exit from the Canadian cannabis market. For more information, please see the Company's Annual Report, available on the Company's profile on SEDAR+ at www.sedarplus.ca and on EDGAR at www.sec.gov/edgar.

In the context of the deconsolidation of the Canadian operations, there are no remaining liabilities to the Company or any of its consolidated subsidiaries related to the Canadian entities, except tax obligation of \$839 related to debt settlement with L5 Capital Inc. ("**L5 Capital**"). The CCAA Proceedings were solely in respect of the Trichome Group. As such, the Company's other assets or subsidiaries, including those in Israel and Germany, were not parties to the CCAA Proceedings. Court materials filed in connection with Trichome's CCAA Proceedings can be found at: <https://www.ksvadvisory.com/insolvency-cases/case/trichome>.

In Israel, the Company imports, distributes and sells cannabis to local medical patients by operating medical cannabis retail pharmacies, online platforms, distribution center and logistical hubs operating through IMC Holdings' subsidiaries, leveraging proprietary data and patient insights. The Company also preserves its existing proprietary genetics with third-party cultures facilities in Israel.

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.

With the recent regulatory changes in both Israel and in Germany, the market dynamics are changing.

Germany legalized cannabis on April 1, 2024, facilitating the access to medical cannabis prescriptions for patients and legalizing non-profit social clubs starting July 1, 2024. The change in regulation has already led to rapid expansion within the last 3 months, driven by the number of new patients entering into the market, highlighting the importance of a stable supply chain able to respond quickly to increases in demand. The Company's German Operations Q2 revenue increased by about 200% from revenue of \$1.15 million in Q1 to revenue of \$3.5M. The Company is focusing on increasing its supply to Germany to support further growth. The proposed Israeli medical cannabis regulatory reform entered into vigor on April 1, 2024, as well. The reform is also expected to facilitate the access to medical cannabis for many new patient groups. While the impact in Germany was reflected immediately in the market, the Israeli reform is starting slowly and will take time for the impact to be reflected in the market.

For further information regarding the Germany new legislation and the Israeli Reform, please see sections "Regulatory Framework in Israel" and "Regulatory Framework in Germany" below.

OUR GOAL – DRIVE PROFITABLE REVENUE GROWTH

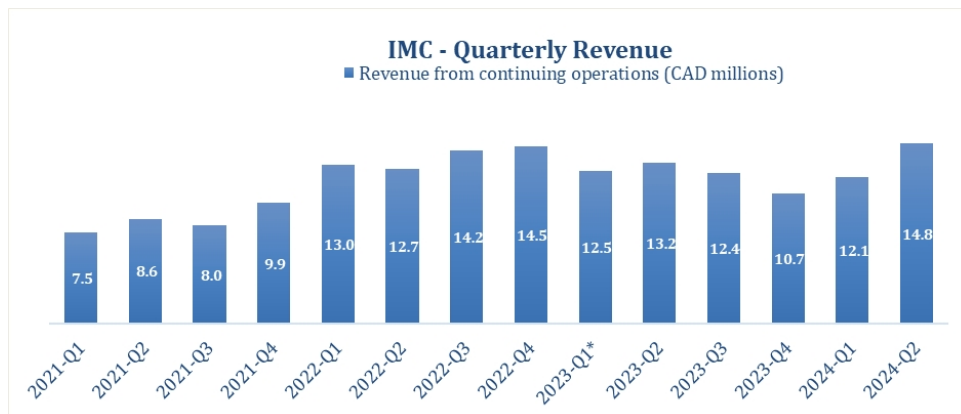
Our primary goal is to sustainably increase revenue in each of our core markets, to accelerate our path to profitability and long-term shareholder value while actively managing costs and margins.

HOW WE PLAN TO ACHIEVE OUR GOAL – CORE STRATEGIES

Our strategy of sustainable and profitable growth consists of:

- Continue building on the increasing demand and positive momentum in Israel and Germany, supported by strategic alliances with Canadian suppliers and a highly skilled sourcing team, to cement its leadership position in markets where the Company operates.
- Develop and execute a long-term growth plan in Germany, based on the strong sourcing infrastructure in Israel which is powered by advanced product knowledge and regulatory expertise establishing, in the Company's view, a competitive advantage following the April 1, 2024 legalization in Germany.
- Increasing inventory levels to meet the rising demand in Germany and securing new suppliers and additional supply chains from Israel and other countries to ensure product availability and support our growth in Germany.
- Properly position brands with respect to target-market, price, potency and quality, such as our IMC brand in Israel and Germany.
- Strong focus on efficiencies and synergies as a global organization with domestic expertise in Israel and Germany.
- High-quality, reliable supply to our customers and patients, leading to recurring sales.
- Ongoing introduction of new Stock Keeping Unit ("**SKUs**") to keep consumers and patients engaged.

RESULTS – REVENUE GROWTH IN Q2 2024



STRATEGY IN DETAIL

GEOGRAPHIES AND NEW MARKETS

The Company operates in the Israeli and German medical cannabis markets. The Company was also actively servicing adult-use recreational consumers in Canada; however these operations were discontinued and deconsolidated, effective November 7, 2022, pursuant to IFRS10. The Company announced that it is pivoting its focus and resources to achieve sustainable and profitable growth in its highest value markets, Israel, Germany and Europe implementing a leaner organization strategy with the primary focus on achieving profitability in 2024.

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 strategic alliances with Canadian suppliers supported by a highly skilled sourcing team. In addition to the benefits of the Group’s long-term presence in Israel, we believe that with our strong sourcing infrastructure in Israel, and advanced product knowledge, regulatory expertise and strong commercial partnerships, the Company is well-positioned to address the ongoing needs and preferences of medical cannabis patients in Israel and also to partially support the increased medical cannabis users needs in Germany.

The Company is also operating in the retail segment. The Company, through IMC Holdings, holds two licensed pharmacies, each selling medical cannabis products to patients: (i) Vironna, a leading pharmacy in the Arab sector, and (ii) Pharm Yarok, the largest pharmacy in the Sharon plain area and the biggest call center in the country (Vironna and Pharm Yarok collectively, the “**Israeli Pharmacies**”).

On April 16, 2024, the Company announced that following a reconciliation between the parties regarding all remaining unpaid installments (i.e. NIS 5,363K or 1,983K CAD) by IMC Holdings, relating to the Oranim Pharmacy Acquisition completed on March 28, 2022, the parties have mutually agreed to revoke the transaction. As a result, IMC Holdings Ltd.'s shares (51%) were transferred back to the seller.

Management's Discussion and Analysis

The Company also operates a home-delivery services and an online retail footprint, under the name "*Panaxia-to-the-Home*", which includes a customer service center and a licensed medical cannabis distribution center in Israel.

The operation in the retail segment in Israel 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 consumer preferences. The operation of the Israeli Pharmacies allows the Company to increase purchasing power with third-party product suppliers, offers potential synergies with our established call center and online operations, achieves higher margins on direct sales to patient and creates the opportunity for up-sales across a growing range of products.

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 a large number of medical cannabis patients. 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 dried cannabis from its supply partners, which we believe will satisfy the rapid growth in demand for high-THC cannabis across a variety of strains and qualities. In addition, Adjupharm sells cannabis extracts to meet the existing demand in the German market.

In the Company's view, the strong sourcing infrastructure in Israel, powered by advanced product knowledge and regulatory expertise, will establish a competitive advantage in Germany after the April 1, 2024, legalization. This is based on the premise that the German and Israeli markets share a number of common attributes such as robust commercial infrastructure, highly developed digital capabilities, favourable demographics and customer preferences.

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 warehouse and EU-GMP production facility in Germany (the "**Logistics Center**"), its vast knowledge in the cannabis market and costumers' preferences and its network of distribution partners to expand into other jurisdictions across the continent.

Adjupharm has an EU-GMP license that permits it to engage in additional production, cannabis testing and release activities. It allows Adjupharm to repackage bulk cannabis, to perform stability studies and offer such services to third parties.

Management's Discussion and Analysis

BRANDS

The IMC brand is well-known in the Israeli medical cannabis market, with reputable brands highly popular among Israeli consumers.

Israeli Medical Cannabis Business

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.

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.

The IMC brand offers four different product lines, leading with the Craft Collection which offers the highest quality Canadian craft cannabis flower and has established IMC as the leader of the super-premium segment in Israel.

The Craft Collection – The IMC brand's premium product line with indoor-grown, hand-dried and hand-trimmed high-THC cannabis flowers. The Craft Collection includes exotic and unique cannabis strains such as Sup.S.



The Top-Shelf Collection – IMC's premium product line, which offers indoor-grown, high-THC cannabis flowers with strains such as Or'enz and Banjo. Inspired by the 1970's cannabis culture in America, the Top-Shelf Collection targets the growing segment of medical patients who are cannabis culture enthusiasts.



Management’s Discussion and Analysis

The Signature Collection – The IMC brand’s high-quality product line with greenhouse-grown or indoor grown, high-THC cannabis flowers. The Signature Collection currently includes well known proprietary cannabis dried flowers such as Chemchew, FLO OG, B.F Lmo, Motobrth, Roma and Rockabye, all an indoor-grown flowers.



The Full Spectrum Extracts – The IMC brand’s full spectrum, strain-specific cannabis extracts, includes high-THC Roma®T20 oil.

The Company's Roma® product portfolio includes also oils. IMC’s Roma® strain is a high-THC medical cannabis flower that offers a therapeutic continuum and is known for its strength and longevity of effect.

The WAGNERS™ brand launched in Israel in Q1 2022, with indoor-grown cannabis imported from Canada. The WAGNERS™ brand was the first international premium, indoor-grown brand introduced to the Israel cannabis market, at a competitive price point. The WAGNERS™ brand includes Cherry Jam, Rainforest Crunch and Silverback#4.



BLKMKT™, the Company’s second Canadian brand, super-premium product line with indoor-grown, hand-dried and hand-trimmed high-THC cannabis flowers. The BLKMKT™ includes BLK MLK, YA HEMI, PURPLE RAIN, JEALOUSY and RAINBOW P.

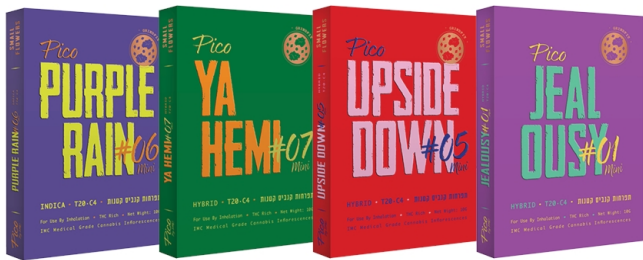


Management’s Discussion and Analysis

LOT420 brand launched in Israel in Q2 2023, with super-premium indoor-grown cannabis imported from Canada with high-THC. The LOT420 includes ICY C, GLTO 33, and Xeno. The Company ceased from selling Atomic APP.



The PICO collection (minis)- Under the BLKMKT™ and LOT420 brands, the Company launched in 2023 a new type of products (small flowers), a super-premium indoor-grown cannabis imported from Canada with high-THC. The Company launched in Q2 2024 a new cannabis strain called Purple Rain#06, Ya Hemi#07, Upside Down#05 and Jealousy#01.



Management’s Discussion and Analysis

Flower – The Company launched in Q2 2024 a new type of products, a super-premium indoor-grown cannabis imported from Canada with high-THC. The Flower brand includes cannabis strain called California and Face Sherb.



For more information, see “Strategy in Detail – Brands – New Product Offerings” section of the MD&A.

German Medical Cannabis Business

In Germany, the company sells IMC-branded dried flower products and full spectrum extracts. The medical cannabis products are branded generically as IMC to increase the brand awareness and build brand heritage among the German healthcare professionals.

After launching the first high THC strain in 2020, the portfolio has been carefully curated to include 8 high THC flowers, 1 high CBD flower, 1 balanced flower and 3 full spectrum extracts with the goal of providing German physicians and patients with a more complete portfolio.

The company is the sixth largest cannabis company in Germany. The Group’s competitive advantage in Germany lies in its track record, experience and brand reputation in Israel, as well as the proprietary data supporting the potential effectiveness of medical cannabis for the treatment of a variety of conditions.



Management's Discussion and Analysis

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 Q2 2024, the Company launched new cannabis strains in Israel, namely RAINBOW P and Blk Mlk by BLKMKT™, California .L. and Face Sherb by Flower, PURPLE RAIN pico and Ya Hemi pico by BLKMKT™. In addition the Company re-launched PURPLE RAIN T 15, JEALOUSY and Ya Hemi by BLKMKT™, and Sup.S by Tenzo, Pico JEALOUSY and Pico Upside Down.

HIGH-QUALITY, RELIABLE SUPPLY

Israel

The company is concentrating on leveraging its skilled sourcing team and strategic alliances with Canadian suppliers as well as the import of medical cannabis from its Canadian Facilities. The Company continues to import cannabis products and supply medical cannabis to patients through licensed pharmacies. To supplement growing demand, the Company continue its relationships with third-party cultivation facilities in Israel for the propagation and cultivation of the Company's existing proprietary genetics and for the development of new products.

In addition, the Company is operating through its subsidiaries who obtained a license from the IMCA to, among others, import cannabis products and supply medical cannabis to patients.

Pursuant to the applicable Israeli cannabis regulations, following the import of medical cannabis, medical cannabis products are then packaged by contracted GMP 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.

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 its Logistics Center as the Company's European hub. Adjupharm sources its supply of medical cannabis for the German market and from various EU-GMP certified European and Canadian suppliers. The Logistics Center is EU-GMP certified, upgrading Adjupharm production technology and increasing its storage capacity to accommodate its anticipated growth. Adjupharm has a certification for primary repackaging, making it one of a handful of companies in Germany fully licenced to repack bulk.

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").

CORPORATE HIGHLIGHTS AND EVENTS

KEY HIGHLIGHTS FOR THE SECOND QUARTER OF 2024

In the second quarter of 2024, the Company continued to focus on its efforts and resources on growth in the Israeli and German cannabis markets with a goal of reaching profitability during 2024. The Company's key highlights and events for the second quarter ended June 30, 2024, include:

The new Israeli cannabis regulation

On April 1, 2024, the Company announced the implementation of the medical cannabis regulatory reform in Israel starting as of April 1, 2024.

Management's Discussion and Analysis

The reform, announced by the Israeli ministry of health on August 7, 2023, underwent a three-month delay due to the Israel-Hamas war following its initial announcement (the "**Reform**").

The Reform will be implemented in phases, as approved, and announced by the Israeli Ministry of Health. The key aspects of the initial phase, commencing today, April 1st, are as follows:

1. Change in the prescription process: patients with a wide range of diseases and medical conditions from Oncology to Parkinsons will no longer be required to obtain a license to receive medical cannabis. Patients will receive a prescription similar to those for other prescription medications. Pain and PTSD are not included in the Reform yet.
2. Medical cannabis will now be prescribed through the HMO's, Israel's public healthcare system: until the Reform, cannabis could not be prescribed through the HMO's which cover the majority of the Israeli population.
3. The number of prescribing physicians is expected to increase: as of today, HMO physicians, who are dully trained and certified within their field of expertise, can prescribe medical cannabis as a first line treatment, as opposed to a last resort, based on medical discretion for the approved indications. 4. The cost for prescription is anticipated to be reduced: the Ministry of Health limited the cost for a medical cannabis prescription.

For the full report published by the Ministry of Health see (in Hebrew)- https://www.health.gov.il/hozer/mmk152_2016.pdf

Trademark Licensing Agreement

On April 4, 2024, the Company and Avant Brands Inc. (TSX: AVNT) (OTCQX: AVTBF) (FRA: 1BU0) ("**Avant**") a leading producer of innovative cannabis products, jointly announce the signing of an international trademark licensing agreement (the "**Licensing Agreement**") granting Adjupharm the exclusive right to launch the BLK MKT™ brand in the German medical cannabis market. The Licensing Agreement constitutes another major milestone with respect to the relationship between the two cannabis companies.

Under the terms of the Trademark License Agreement, Avant's subsidiary will grant Adjupharm the license to utilize Avant's BLK MKT TM cannabis brand for use on their medical cannabis products. All such products will contain cannabis cultivated exclusively by Avant and subsequently exported to Germany. The collaboration between the two companies anticipates a positive outcome in the emerging German medical cannabis market, especially following the recent legalization by the government on April 1, 2024.

The Licensing Agreement signals the Company's commitment to implementing a premium strategy in Germany as well as in Israel and acts as another step to establish Avant's position in the ultra-premium segment in Israel and Germany. The Company and Avant have had a productive partnership so far, combining Avant's premium cannabis products with the Company's sales, marketing and distribution expertise in Israel. Both companies believe the Licensing Agreement will enhance the companies' capabilities to meet the demands of the German market.

Avant's three largest cultivation facilities all hold ICANN-GAP and GACP certifications; thus, Avant is positioned to potentially distribute its premium cannabis flower into international markets. Adjupharm is the 6th largest distributor of medical cannabis flowers in Germany and is number 1 in sales per SKU, growing +180% in 2023.

¹ Insight Health December 2023

Management's Discussion and Analysis

Partnership with Flora Growth

On April 9, 2024, the Company announced that it has entered, through its subsidiary, a strategic distribution agreement with Vessel Brand Inc, a subsidiary of Flora Growth Corp. ("**Flora**"), a global consumer-packaged goods leader and pharmaceutical distributor, headquartered in Carlsbad, CA.

The Company's brands are well known in the premium Israeli cannabis market, facilitating the import and wholesale of premium medical cannabis through retail pharmacies, online platform, and distribution center. Vessel is a premium cannabis accessories brand with a wide range of products.

Oranim Plus transaction cancellation

On April 16, 2024, the Company announced further to the news release dated January 12, 2024, the Company has decided not to make remaining installment payments installments (i.e. NIS 5,873K including interest or 2,172K CAD) by IMC Holdings Ltd. To Oranim Plus, and as such will transfer the 51% shares held by IMC Holdings Ltd back to the seller, Mr. Eitan Hevroni. On July 8, 2024, a cancellation agreement was signed, addressing all the required procedures resulting from the agreement cancellation, including the transfer of shares, the removal of pledges, and the retention of the first payment by the seller as liquidated damages.

Short-term Loan Agreement

On October 17, 2023, IMC Holdings entered into a short-term loan agreement with a non-financial institute in the amount of NIS 1,800 thousand (approximately \$660). Such loan bear interest at an annual rate of 18% and mature six months from the date of issuance along with the associated fees and commissions of 4% per annum for application fee and an origination fee of 4% per annum. On April 17, 2024, IMC Holdings and the lender signed an amendment to extend the loan period until April 18, 2025, with an annual interest rate of 17% with no additional fees associated as in the initial loan period.

Loan Agreement

On April 17, 2024, R.A Yarok Pharm entered into a loan agreement with a non-financial institute in the amount of NIS 3,000 thousand (approximately \$1,082). Such loan bear interest at an annual rate of 15% and mature 12 months from the date of issuance (the "**Loan**"). The Loan is secured by the following collaterals and guarantees: (a) a first-ranking floating charge over the assets of A.R Yarok Pharm (b) a first-ranking fixed charge over the holdings (23.3%) of its subsidiary, IMC Holdings, of Xinteza; (c) a personal guarantee by Mr. Oren Shuster, IMC's CEO and (D) a guarantee by the Company.

Kadimastem Ltd. Preliminary Term Sheet Termination

On May 28, 2024, the Company announced the termination of the preliminary term sheet signed on February 13, 2024 with Kadimastem Ltd a public company traded on the Tel Aviv Stock Exchange under the symbol (TASE:KDST) ("**Kadimastem**"). According to the separation agreement signed with Kadimastem, as a result of this termination, the loan provided to IMC Holdings Ltd (the "**Holding Company**") by Kadimastem in a total amount of 300,000\$ will be repaid together with 9% annual interest accrued thereon, in three installments by July 31st, 2024.

Management's Discussion and Analysis

Convertible Debenture Offering

On May 29, 2023, the Company announced that in order to preserve its cash for to support accelerated growth in Germany it has closed a non-brokered private placement (the "**Offering**") of secured convertible debentures of the Company (each, a "**Debenture**") for aggregate proceeds of \$2,091,977. The Debentures were issued to holders of short-term loans and obligations owed by the Company or its wholly owned subsidiaries and were inclusive of a 10% extension fee in full settlement of such debt to the holders. The Debentures will mature on May 26, 2025, and will not incur interest except in the event of default. The Debentures may be converted into common shares in the Company (each, a "**Share**") at a conversion price of \$0.85 per Share. Oren Shuster, a director and the Chief Executive Officer of the Company (the "**Insider**") subscribed for an aggregate of \$237,214 of Debentures in the Offering. The Insider's participation in the Offering (the "**Insider Transaction**") is a "related party transaction" within the meaning of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). The Company relied on the exemptions from the formal valuation and minority shareholder approval requirements of MI 61-101 under sections 5.5(a) and 5.7(1)(a) of MI 61-101 as the fair market value of the Insider Transaction does not exceed 25% of the Company's market capitalization. As the material change report disclosing the Insider Transaction is being filed less than 21 days before the transaction, there is a requirement under MI 61-101 to explain why the shorter period was reasonable or necessary in the circumstances. In the view of the Company, it is necessary to immediately close the Insider Transaction and therefore, such shorter period is reasonable and necessary in the circumstances to improve the Company's financial position.

Glasshouse Botanics

On June 5, 2024, the Company announced that it is experiencing accelerated growth in Germany after the April 1st partial legalization, further to the Company's press release dated March 25, 2024. Adjupharm is supporting its growth by further bolstering its supply chain with an additional EU-GMP supplier, GlassHouse Botanics Inc. ("**GlassHouse Botanics**"), headquartered in Whitewater, Ontario.

The April 1st partial legalization of cannabis in Germany, has potentially paved the way for tremendous category growth. With a population of over 83 million, Germany has more than double the population of California, which had a cannabis industry of about \$5 billion in 2023². Until the social clubs are up and running, the only legal way to buy cannabis in Germany is with a prescription, driving significant growth in the Medical Market.

IMC Germany spent 2023 preparing for the legalization by putting the processes in place to drive accelerated growth, while focusing on active cost management with the goal of achieving sustainable profitability. In 2023, IMC Germany delivered +182% growth, outperforming the market by 162%, closing the year as a strong #6 among the cannabis distributors and ranked #1 in sales per SKU³. Starting April 2024, IMC Germany experiencing an increase of demands reflected already on its Q2 2024 revenue, ended with approximately 200% increase vs. Q1 2024 to \$3.5M.

All cannabis flowers that are sold through pharmacies must come from an EU-GMP facility. Of all the licensed Canadian cannabis producers, fewer than 20 are EU-GMP certified⁴, making this one of the primary supply chain bottle necks, limiting the ability of German medical cannabis distributors to import product from Canada. IMC Germany is able to build a more robust, exclusive supply chain by having the necessary certifications and qualified personnel to perform EU-GMP 3rd country inspections for qualified cannabis producers. GlassHouse Botanics is a privately held Canadian corporation in the business of cultivating and processing pharmaceutical-grade medical cannabis flower. Through their partnership with IMC Germany, they received their EU-GMP certification.

² <https://www.cannabisbusinesstimes.com/news/california-cannabis-market-sales-taxes-billion-2024/>.

³ Insight Health. German Market Data. 2023 Full Year Results.

⁴ <https://eudragmdp.ema.europa.eu/inspections/gmpc/searchGMPCCompliance.do>.

Management's Discussion and Analysis

Change to Board of Directors

On June 5, 2024, the Company announced that Marc Lustig will be stepping down as director of the Company and as Chairman of the Board of Directors, effective immediately. The Board of Directors has appointed Oren Shuster, currently a director and CEO of IMC, as the new Chairman of the Board of Directors of IMC.

SUBSEQUENT EVENTS

Short-term Loan Agreement

On July 1st, 2024, IMC Holdings entered into a short-term loan agreement with a non-financial institute in the amount of NIS 3,000 thousand (approximately \$1,113). Such loan bear interest at an annual rate of 12% and mature 62 days from the date of signing the loan agreement.

Consolidation 2024

On July 5, 2024, the Company announced that the board of directors of the Company (the "**Board**") has approved a consolidation of its issued and outstanding common shares ("**Common Shares**") based on one post-consolidated Common Share for every six pre-consolidated Common Shares (the "**Consolidation**"). The Board has set July 12, 2024, as the effective date of the Consolidation and anticipates the Common Shares to trade on a post-consolidated basis effective July 12, 2024, subject to final confirmation from the Canadian Securities Exchange (the "**CSE**") and Nasdaq Stock Market LLC (the "**NASDAQ**"). The exercise price and/or conversion price and number of Common Shares issuable under any of the Company's outstanding convertible securities were proportionately adjusted in connection with the Consolidation.

Shareholders of record as of the effective date received a letter of transmittal from Computershare Investor Services Inc., the Company's registrar and transfer agent for the Common Shares, providing instructions for the exchange of their Common Shares as soon as practicable following the effective date. Registered shareholders may also obtain a copy of the letter of transmittal by accessing the Company's SEDAR+ profile at www.sedarplus.ca. Until surrendered, each share certificate or direct registration system statement representing pre-consolidated Common Shares will represent the number of whole post-consolidated Common Shares to which the holder is entitled as a result of the Consolidation. No action was required by beneficial holders to receive post-consolidation Common Shares in connection with the Consolidation. Beneficial holders who hold their Common Shares through intermediaries (e.g., a broker, bank, trust company investment dealer or other financial institution) and who have questions regarding how the Consolidation will be processed should contact their intermediaries with respect to the Consolidation.

Management's Discussion and Analysis

On July 12, 2024, the Company announced that, further to its press release dated July 5, 2024, effective July 12, 2024, the Company's common shares (**Common Shares**) are trading on the CSE and NASDAQ on a 6:1 post-consolidated basis (the "Consolidation"). The Company's trading symbol remains "IMCC" on both the CSE and NASDAQ. The Company's new CUSIP and ISIN numbers are 44969Q406 and CA44969Q4060, respectively. After giving effect to the Consolidation, the Common Shares were reduced from 13,394,136 to 2,232,357 Common Shares. No fractional Common Shares were issued in connection with the Consolidation. Instead, all fractional Common Shares equal to or greater than one-half resulting from the Consolidation were rounded to the next whole number, otherwise, the fractional Common Share were cancelled. The exercise price and/or conversion price and number of Common Shares issuable under any of the Company's outstanding convertible securities were proportionately adjusted in connection with the Consolidation. Computershare Investor Services Inc., the Company's registrar and transfer agent for the Common Shares, has mailed letters of transmittal to registered shareholders of record as of July 12, 2024, providing instructions for the exchange of their Common Shares as soon as practicable following the effective date. Registered shareholders may also obtain a copy of the letter of transmittal by accessing the Company's SEDAR+ profile at www.sedarplus.ca. Until surrendered, each Common Share certificate or direct registration system statement representing pre-consolidated Common Shares will represent the number of whole post-consolidated Common Shares to which the holder is entitled as a result of the Consolidation. No action is required by beneficial holders to receive post-consolidation Common Shares in connection with the Consolidation. Beneficial holders who hold their Common Shares through intermediaries (e.g., a broker, bank, trust company investment dealer or other financial institution) and who have questions regarding how the Consolidation will be processed should contact their intermediaries with respect to the Consolidation.

*After giving effect to the Consolidation, the Common Shares were reduced from 13,394,136 to 2,232,359 (after rounding fractional Common Shares).

NASDAQ Notification of Regaining Compliance

On July 29, 2024, announced that on July 26, 2024, it has received formal notice from The Nasdaq Stock Market, LLC (**Nasdaq**) stating that the Company has regained compliance with the minimum bid price requirement set forth in Rule 5550(a)(2) of the Nasdaq Listing Rules (the "**Minimum Bid Price Requirement**"). IMC is now in compliance with all applicable listing standards and will continue to be listed and traded on the NASDAQ Stock Market.

As previously announced, the Company was notified by Nasdaq on August 1, 2023, that it was not in compliance with the Minimum Bid Price of \$1.00 per share for 30 consecutive business days as required by the Listing Rules of Nasdaq and on January 31, 2024, has received a 180-calendar day extension, until July 29, 2024, from Nasdaq to regain compliance. Since then, Nasdaq staff has determined that for the last 10 consecutive business days, from July 12, 2024, to July 25, 2024, the closing bid price of the Company's Ordinary Shares has been at \$1.00 per share or greater. Accordingly, the Company has regained compliance with Listing Rule 5550(a)(2) and the matter has been closed.

Payment schedule with third party

On July 30, 2024, the Company entered into an acknowledgment and payment schedule agreement with a third party regarding unpaid fees, charges, and disbursements for services rendered to the Company. According to the terms of the agreement, the Company shall pay the sum of \$54,000 on the first business day of each month for a period of twenty-four (24) months, with the first payment due on November 1, 2024.

Changes Regarding the New Mizrahi Facility

On August 1, 2024, the credit line of approximately NIS 1,825 related to the New Mizrahi Facility, as defined herein, was converted into a six-month short-term loan, bearing an annual variable interest rate of P+1.9% (with the Israel Prime interest rate as of the submission date being 6%). For more information, please see "**LIQUIDITY AND CAPITAL RESOURCES**" below.

Management's Discussion and Analysis
REVIEW OF FINANCIAL PERFORMANCE
FINANCIAL HIGHLIGHTS

Below is the analysis of the changes that occurred for the three and six months ended June 30, 2024, with further commentary provided below.

	For the six months ended June 30,		For the three months ended June 30,		For the Year ended December 31,
	2024	2023 ⁽¹⁾	2024	2023 ⁽¹⁾	2023
Net Revenues	\$ 26,813	\$ 25,736	\$ 14,750	\$ 13,207	\$ 48,804
Gross profit before fair value impacts in cost of sales	\$ 2,648	\$ 6,977	\$ 859	\$ 3,734	\$ 10,830
Gross margin before fair value impacts in cost of sales (%)	10%	27%	6%	28%	22%
Operating Loss	\$ (8,499)	\$ (5,368)	\$ (2,869)	\$ (1,752)	\$ (12,792)
Loss	\$ (9,476)	\$ (4,572)	\$ (3,456)	\$ (3,706)	\$ (10,228)
Loss per share attributable to equity holders of the Company – Basic (in CAD)	\$ (0.65)	\$ (0.33)	\$ (0.23)	\$ (0.26)	\$ (0.74)
Loss per share attributable to equity holders of the Company - Diluted (in CAD)	\$ (0.65)	\$ (0.33)	\$ (0.23)	\$ (0.26)	\$ (0.74)

	For the Six Months Ended June 30,		For the Three months ended June 30,		For the Year ended December 31,
	2024	2023	2024	2023	2023
Average net selling price of dried flower (per Gram)	\$ 5.90	\$ 5.60	\$ 6.09	\$ 5.04	\$ 5.14
Quantity of dried flower sold (in Kilograms)	4,206	3,970	2,333	2,128	8,609

Notes:

- The figures disclosed here for the six and three months ended June 30, 2023, encompass updates and adjustments made during Q2 2023 to the Company's previously filed unaudited interim financial statements. The adjustments and updates were immaterial.

Management's Discussion and Analysis

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 to continue to be competitive with other suppliers of medical cannabis products.

The Company believes that there are several key factors creating tailwinds to facilitate further industry growth. In Israel, the number of licensed medical patients currently stands at 128,355 as of June 2024. This figure is expected to grow in the coming years and may further benefit from regulatory change liberalizing the cannabis market in Israel. IM Cannabis is 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.

The German medical cannabis market has been slower over the past few years to develop mainly due to the difficulty in medical patients accessing prescriptions and insurance reimbursements. Starting Year 2024 after the legalization was officially approved by the Bundestag (Germany Parliament) on April 1st, 2024, The Company which has already seen an increase in the number of patients paying out-of-pocket for medical cannabis products in Germany during the past few years, is expecting a change which will lead to increase in the market. Starting April 2024, the Company through its subsidiary Adjupharm is experiencing a significant increase in demands in Germany for its products. In Q2 2024 the Revenue in Germany increased by approximately 204% from \$1,152 in Q1 2024 to \$3,508.

Management's Discussion and Analysis

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. The reportable geographical segments in which the Company operates are Israel and Germany.

For the six months ended June 30:

	Israel		Germany		Adjustments		Total	
	2024	2023(*)	2024	2023(*)	2024	2023(*)	2024	2023(*)
Revenues	\$ 22,153	\$ 23,109	\$ 4,660	\$ 2,627	\$ -	\$ -	\$ 26,813	\$ 25,736
Segment loss	\$ (7,332)	\$ (1,842)	\$ 351	\$ (767)	\$ -	\$ -	\$ (6,981)	\$ (2,609)
Unallocated corporate expenses	\$ -	\$ -	\$ -	\$ -	\$ (1,518)	\$ (2,759)	\$ (1,518)	\$ (2,759)
Total operating (loss)	\$ (7,332)	\$ (1,842)	\$ 351	\$ (767)	\$ (1,518)	\$ (2,759)	\$ (8,499)	\$ (5,368)
Depreciation& amortization	\$ 1,118	\$ 1,509	\$ 73	\$ 78	\$ -	\$ -	\$ 1,191	\$ 1,587

* See Note 1 under "Review of Financial Performance – Financial Highlights" section of the MD&A.

The consolidated revenues of the Group for the six months ended June 30, 2024, were attributed to the sale of medical cannabis products in Israel and Germany.

- Revenues for the six months ended June 30, 2024, and 2023 were \$26,813 and \$25,736, respectively, representing an increase of \$1,077 or 4%. The increase is mainly attributed to accelerated growth in Germany revenue of \$2,033 and decreased Revenue in Israel of \$956 net, that includes Oranim deal cancellation effect in decreased Revenue of \$1,933.

Revenues for the three months ended June 30, 2024, and 2023 were \$14,750 and \$13,207, respectively, representing an increase of \$1,543 or 12%. The increase is mainly attributed to accelerated growth in Germany revenue of \$1,973 and decreased Revenue in Israel of \$430 net, that includes Oranim deal cancellation effect in decreased Revenue of \$2,415.

- Revenues from the Israeli operation was attributed to the sale of medical cannabis through the Company's subsidiaries and the revenues from the Israeli Pharmacies the Company owns, mostly from cannabis products.
- In Germany, Company revenues were attributed to the sale of medical cannabis through Adjupharm.

Total dried flower sold for the six months ended June 30, 2024, was 4,206kg at an average selling price of \$5.90 per gram compared to 3,970kg for the same period in 2023 at an average selling price of \$5.60 per gram, mainly attributed to the inventory life cycle, products diversity, discounts given and increased competition in the segment.

Management's Discussion and Analysis

COST OF REVENUES

Cost of revenues is comprised of purchase of raw materials and finished goods, import costs, production costs, product laboratory testing, shipping and salary expenses. Inventory is later expensed to the cost of sales when sold. Direct production costs are expensed through the cost of sales.

The cost of revenues for the six months ended June 30, 2024 and 2023 were \$24,165 and \$18,759, respectively, representing an increase of \$5,406 or 29%. This is mainly due to increased in total Company revenue related net costs of approximately \$3,285, clearing of old raw materials of approximately \$940, accrued for slow inventory of approximately \$1,595 and decrease in other costs of approximately \$414.

The cost of revenues for the three months ended June 30, 2024 and 2023 were \$13,891 and \$9,473, respectively, representing an increase of \$4,418 or 47%. This is mainly due an increase in Company revenue related costs of approximately \$2,570, clearing of old raw materials of approximately \$800, accrued for slow inventory of approximately \$1,095 and decrease in other costs of approximately \$47.

GROSS PROFIT

Gross profit for the six months ended June 30, 2024, and 2023 was \$2,623 and \$6,360, respectively, representing a decrease of \$3,737 or 59%. Gross profit for the three months ended June 30, 2024, and 2023 was \$844 and \$3,456, respectively, representing a decrease of \$2,612 or 76%

Gross profit included losses from realized fair value adjustments on inventory sold of \$(25) and \$(617) for the six months ended June 30, 2024, and 2023, respectively.

EXPENSES

GENERAL AND ADMINISTRATIVE

General and administrative expenses for the six months ended June 30, 2024, and 2023 were \$4,495 and \$5,563, respectively, representing a decrease of \$1,068 or 19%. General and administrative expenses for the three months ended June 30, 2024, and 2023 were \$2,163 and \$2,389, respectively, representing a decrease of \$226 or 9%.

The decrease in the general and administrative expense is attributable mainly to the restructuring plan published March 8, 2023, which aimed for reorganization of the company's management and operations to strengthen its focus on core activities and drive efficiencies to realize sustainable profitability. The Company reduced its workforce in Israel across all functions. The general and administrative expenses are comprised mainly from salaries to employees in the amount of \$1,092 and \$520 for the six and three months ended June 30, 2024, professional fees in the amount of \$1,424 and \$725 for the six and three months ended June 30, 2024, depreciation and amortization in the amount of \$260 and \$139 for the six and three months ended June 30, 2024, insurance costs in the amount of \$657 and \$331 for the six and three months ended June 30, 2024 and Other expenses in the amounts of \$1,062 and \$448 for the six and three months ended June 30, 2024.

PROVISION FOR REVOKING ORANIM TRANSACTION

Due to the revocation of the Oranim agreement on April 15, 2024, the Company accrued \$2,753 other operating expenses in Q1 2024 for losses expected on Q2 2024 due to the clearing of Oranim assets and liabilities from the consolidated balances. The total expense for the six months ended June 30, 2024 is \$2,734.

Management's Discussion and Analysis

SELLING AND MARKETING

Selling and marketing expenses for the six months ended June 30, 2024, and 2023 were \$3,773 and \$5,427, respectively, representing a decrease of \$1,654 or 30%. Selling and marketing expenses for the three months ended June 30, 2024, and 2023 were \$1,481 and \$2,622, respectively, representing a decrease of \$1,141 or 44%.

The decrease in the selling and marketing expenses for the six and three months ended June 30, 2024, is mainly attributed to Oranim revoke agreement of approximately \$587 and \$631, respectively, and decrease of \$1,058 and \$629, respectively, in Selling and marketing operations.

SHARE-BASED COMPENSATION

Share-based compensation expense for the six months ended June 30, 2024, and 2023 was \$120 and \$121, respectively, representing a decrease of \$1 or 1%.

For the three months ended June 30, 2024, and 2023 share-based compensation income (expense) from continuing operations was \$88 and (\$137), respectively, representing a decrease of \$225 or 164%.

FINANCING

Financing income (expense) net, for the six months ended June 30, 2024, and 2023 was \$(1,927) and \$621, respectively, representing a decrease of \$2,548 or 410%. For the three months ended June 30, 2024, and 2023 financing income (expense), net, was \$(1,426) and \$(2,114), respectively, representing a decrease of \$688 or 33%.

NET INCOME/LOSS

Net loss for the six months ended June 30, 2024, and 2023 was \$9,476 and \$4,572, respectively, representing a net loss increase of \$4,904 or 107%. For the three months ended June 30, 2024, and 2023 net loss was \$3,456 and \$3,706, respectively, representing a net loss decrease of \$250 or 7%. The net loss decreases related to factors impacting net income described above.

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, 2024, and 2023 were \$(0.65) and \$(0.33) per Common Share, respectively. For the three months ended June 30, 2024, and 2023 basic Loss per Common Share from continuing operations were \$(0.23) and \$(0.26) per Common Share, respectively.

Diluted net loss per share for the six months ended June 30, 2024, and 2023 is \$(0.65) and \$(0.33) respectively and \$(0.23) and \$(0.26) for the three months ended June 30, 2024, respectively.

Management's Discussion and Analysis

TOTAL ASSETS

Total assets as of June 30, 2024 were \$40,216, compared to \$48,813 as at December 31, 2023, representing a decrease of \$8,597 or 18%. The decrease is mainly attributed to the Oranim agreement cancellation at total amount of \$9,494, of which mainly attributed to goodwill at total amount of \$3,499, intangible asset in the amount of \$1,414, Inventory in the amount of \$837, Trade receivables in the amount of \$1,324, Property plant and equipment in the amount of \$783 and reduction of Cash and cash equivalents in the amount of \$346. In addition to the Oranim revocation agreement affect, there is a total assets increase of \$897 mainly due to an increase of \$5,760 in trade receivables, offset by \$3,420 reduction in Inventory, \$767 reduction of Cash and cash equivalents and \$711 reduction of intangible assets.

TOTAL LIABILITIES

Total liabilities at June 30, 2024, were \$34,735 compared to \$35,113 at December 31, 2023, representing a decrease of \$378 or 1%. The decrease was mainly due to the Oranim agreement cancellation of \$6,771 of which mainly attributed to a decrease in PUT option liability in the amount of \$1,973 and a decrease in purchase consideration payable in the amount of \$2,172, a decrease in trade payables in the amount of \$1,597, a decrease of \$176 in other accounts payable, a decrease of \$372 in lease liabilities and a decrease of \$326 in deferred tax liability.

In addition to the Oranim revocation agreement affect, there is a total liability increase of \$6.4 million mainly due to increase of \$6.2 million in trade payables offset by a \$1.5 million reduction in other accounts payable.

LIQUIDITY AND CAPITAL RESOURCES

For the six months ended June 30, 2024, the Company recorded revenues of \$26,813.

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

In January 2022, Focus entered into a revolving credit facility with an Israeli bank, Bank Mizrahi (the **Mizrahi Facility**). The Mizrahi Facility is guaranteed by Focus assets. Advances from the Mizrahi Facility is being used for working capital needs. The Mizrahi Facility has a total commitment of up to NIS 15 million (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 is 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%.

On May 17, 2023, the Company and Bank Mizrahi entered to new credit facility with total commitment of up to NIS 10,000 (approximately \$3,600) (the **New Mizrahi Facility**). The New Mizrahi Facility consists of NIS 5,000 credit line and NIS 5,000 loan to be settled with 24 monthly installments from May 17, 2023. This loan bears interest at the Israeli Prime interest rate plus 2.9%. As of June 30, 2024, Focus has drawn down \$2,855 in respect of the new Mizrahi facility (comprised of approx. \$1,826 credit line and \$1,029 loan). The New Credit facility is also subject to several covenants to be measured on a quarterly basis which are not met as of June 30, 2024, therefore the loan is classified as short-term loan. On August 1, 2024, the credit line of approximately NIS 1,825 related to the New Mizrahi Facility was converted into a six-month short-term loan, bearing an annual variable interest rate of P+1.9% (with the Israel Prime interest rate as of the submission date being 6%)

Management's Discussion and Analysis

The Company's CEO and Chairman, provided to the bank a personal guarantee in the amount of the outstanding borrowed amount, allowing the New Mizrahi Facility to remain effective.

As of June 30, 2024, the Group's cash and cash equivalents totaled \$700 and the Group's working capital deficit (current assets less current liabilities) amounted to (\$10,461). In the six months ended June 30, 2024, the Group had an operating loss of (\$8,499) and cash flows of \$368.

As of June 30, 2024, the Group's financial liabilities consisted of 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 on June 30, 2024, management considers liquidity risk to be high.

As of June 30, 2024, 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	\$ 13,232	\$ 1,095	-	-

The maturity profile of the Company's other financial liabilities (trade payables, other account payable and accrued expenses, and warrants) as of June 30, 2024, are less than one year.

Contractual Obligations	Payments Due by Period				
	Total	Less than one year	1 to 3 years	4 to 5 years	After 5 years
Debt	\$ 13,147	\$ 12,746	\$ 401	\$ -	\$ -
Finance Lease Obligations	\$ 1,180	\$ 486	\$ 694	\$ -	\$ -
Total Contractual Obligations	\$ 14,327	\$ 13,232	\$ 1,095	\$ -	\$ -

The Group's current operating budget includes various assumptions concerning the level and timing of cash receipts from sales and cash outflows for operating expenses and capital expenditures, including cost saving plans. In 2023 The Company's board of directors approved a cost saving plan, to allow the Company to continue its operations and meet its cash obligations. The cost saving plan entailed reducing costs through efficiencies and synergies primarily involving the following measures: discontinuing loss-making activities, reducing payroll and headcount, reduction in compensation paid to key management personnel (including layoffs of key executives), operational efficiencies and reduced capital expenditures. These actions are resulting in cost savings during 2024 and the company will continue its efforts for efficiency operations.

Despite the cost savings plan and restructuring as described above, the projected cash flows for 2024 indicates that it is uncertain that the Group will generate sufficient funds to continue its operations and meet its obligations as they become due. The Group continues to evaluate additional sources of capital and financing. However, there is no assurance that additional capital and or financing will be available to the Group, and even if available, whether it will be on terms acceptable to the Group or in amounts required.

Management's Discussion and Analysis

These conditions raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of assets or liabilities that might be necessary should the Company be unable to continue as a going concern. 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 as of June 30, 2024, consist of an unlimited number of Common shares without par value of 13,394,136. Following the July 12th, 2024, Consolidation, it consists of an unlimited number of Common Shares without par value 2,232,359 (after rounding fractional Common Shares) 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 declared and to participate in the distribution of surplus assets in the case of liquidation of the Company.

OTHER SECURITIES

As of June 30, 2024, the Company also has the following outstanding securities which are convertible into, or exercisable or exchangeable for, voting or equity securities of the Company: 270,452 Options, 18,261 from 2019 Broker Compensation Options (as defined below), 294,348 Offered Warrants (as defined below), 5,769,611 from 2023 LIFE Offering Warrants and 2,461,149 Debentures.

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-2021 Share Consolidation basis (as defined below) 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 to 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 2021 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 2021 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 expired on August 2022.

Management's Discussion and Analysis

On February 12, 2021, the Company consolidated all of its issued and outstanding Common Shares on the basis of one (1) post-consolidation Common Share for each four (4) pre-consolidation Common Shares (the "**2021 Share Consolidation**") to meet the NASDAQ minimum share price requirement.

On November 17, 2022, the Company completed a second share consolidation (the "**2022 Share Consolidation**") by consolidating all its issued and outstanding Common Shares based on one (1) post-Consolidation Common Share for each ten (10) pre-Consolidation Common Shares.

On May 7, 2021, the Company completed an offering (the "**2021 Offering**") for a total of 6,086,956 Common Shares and 3,043,478 Common Share purchase warrants (the "**2021 Offered Warrants**"). Following the 2022 Share Consolidation, the 2021 Offered Warrant were adjusted to require the (10) 2021 Offered Warrant to be exercised for one (1) Common Share at an adjusted exercise price of US\$72 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. Following the 2022 Share Consolidation, the 2021 Broker Compensation Option were adjusted to require the (10) 2021 Broker Compensation Options for one (1) Common Share at an adjusted exercise price of US\$66.1, at any time following November 5, 2021, until November 5, 2022. There are 182,609 2021 Broker Compensation Options outstanding.

In January and February of 2023, the Company issued an aggregate of 2,828,248 units of the Company (each a "**Life Unit**") at a price of US\$1.25 per Life Unit for aggregate gross proceeds of US\$3,535 in a series of closings pursuant to a non-brokered private placement offering to purchasers resident in Canada (except the Province of Quebec) and/or other qualifying jurisdictions relying on the listed issuer financing exempt under Part 5A of National Instrument 45-106 – Prospectus Exemptions (the "**LIFE Offering**"). Each Life Unit consisted of one Common Share and one Common Share purchase warrant (each a "**Life Warrant**"), with each Life Warrant entitling the holder thereof to purchase one additional Common Share at an exercise price of US\$1.50 for a period of 36 months from the date of issue.

In addition, a non-independent director of the Company subscribed for an aggregate of 131,700 Life Units under the LIFE Offering at an aggregate subscription price of US\$165. The director's subscription price was satisfied by the settlement of US\$165 in debt owed by the Company to the director certain consulting services previously rendered by the director to the Company.

In connection with the LIFE Offering, the Company and Odyssey Trust Company entered into a series of warrant indentures on January 30, 2023 (the "**First LIFE Warrant Indenture**"), February 7, 2023 (the "**Second LIFE Warrant Indenture**") and February 16, 2024 (the "**Third LIFE Warrant Indenture**") to govern the terms and conditions of the Life Warrants.

Concurrent with the LIFE Offering, the Company issued an aggregate of 2,317,171 units on a non-brokered private placement basis at a price of US\$1.25 per unit for aggregate gross proceeds of US\$2,897 (the "**Concurrent Offering**"). The Concurrent Offering was led by insiders of the Company. The units offered under the Concurrent Offering were sold under similar terms as the Life Offering and were offered for sale to purchasers in all provinces and territories of Canada and jurisdictions outside Canada pursuant to available prospectus exemptions other than for the LIFE Offering exemption. All units issued under the Concurrent Offering were subject to a statutory hold period of four months and one day in accordance with applicable Canadian securities laws.

On July 12, 2024, the Company closed a non-brokered private placement (the "**Offering**") of secured convertible debentures of the Company (each, a "**Debenture**") for aggregate proceeds of \$2,091,977. The Debentures were issued to holders of short-term loans and obligations owed by the Company or its wholly owned subsidiaries. The Debentures will mature on May 26, 2025, and will not incur interest except in the event of default. The Debentures may be converted into common shares of the Company (each, a "**Share**") at a conversion price of \$0.85 per Share. As of June 30, 2024, and December 31, 2023, there were 6,063,960 warrants outstanding, re-measured by the Company, using the Black-Scholes pricing model, in the amount of \$57 and \$38, respectively. For the six months ended June 30, 2024, and 2023, the Company recognized a revaluation gain (loss) in the consolidated statement of profit or loss and other comprehensive income, of \$(20) and \$(3,305), respectively, in which the unrealized gain is included in finance income (expense).

On July 12, 2024, the Company consolidated all its issued and outstanding Common Shares on the basis of one (1) post-consolidation Common Share for each Six (6) pre-consolidation Common Shares (the "**2024 Share Consolidation**") to meet the NASDAQ minimum share price requirement.

Management's Discussion and Analysis
OPERATING, FINANCING AND INVESTING ACTIVITIES

The following table highlights the Company's cash flow activities for the three and six months ended June 30, 2024, and 2023:

	For the Six Months Ended June 30,		For the three months ended June 30,		For the Year ended December 31,
	2024	2023	2024	2023	2023
Net cash provided by (used in):					
Operating activities	\$ 368	\$ (13,212)	\$ 1,030	\$ (7,151)	\$ (8,075)
Investing activities	\$ (398)	\$ (553)	\$ (396)	\$ (86)	\$ (1,182)
Financing activities	\$ 643	\$ 10,677	\$ 1,495	\$ 4,120	\$ 9,417
Effect of foreign exchange	\$ (1,726)	\$ 1,960	\$ (2,477)	\$ 3,019	\$ (796)
Increase (Decrease) in cash	\$ (1,113)	\$ (1,128)	\$ (348)	\$ (98)	\$ (636)

Operating activities provided cash of \$368 and used cash of \$13,212 for the six months ended June 30, 2024, and 2023, respectively. Operating activities provided cash of \$1,030 and used cash of \$7,151 for the three months ended June 30, 2024, and 2023, respectively. This variance is primarily due to business activities of the Company including corporate expenses for salaries, professional fees, and marketing expenses in Israel and Germany out of which a \$2,764 and \$nil increase is attributed to Loss from deconsolidation of Oranim for the six months ended June 30, 2024, and 2023, respectively.

Investing activities used cash of \$(398) and \$(553) for the six months ended June 30, 2024, and 2023, respectively. Investing activities used cash of \$(396) and \$(86) for the three months ended June 30, 2024, and 2023, respectively, of which a decrease of \$(346) and \$nil is attributed to Deconsolidation of Oranim for the six months ended June 30, 2024, and 2023, respectively.

Financing activities provided cash of \$643 and \$10,677 for the six months ended June 30, 2024, and 2023, respectively. Financing activities provided cash of \$1,495 and \$4,120 for the six months ended June 30, 2024, and 2023, respectively. The decrease for the six and three months is primarily due to the reduction of proceeds from issuance of warrants and share capital by \$6,585 and \$1,689 respectively, an increase of repayment of bank loan and credit facilities in the amount of \$4,428 and set-off by an increase in proceeds from loans in the amount of \$3,096.

SELECTED ANNUAL INFORMATION – CONTINUING OPERATIONS

For the year ended	December 31, 2023	December 31, 2022	December 31, 2021
Revenues	\$ 48,804	\$ 54,335	\$ 34,053
Net Loss	\$ (10,228)	\$ (24,922)	\$ (664)
Basic net income (Loss) per share:	\$ (0.74)	\$ (3.13)	\$ 0.02
Diluted net income (Loss) per share:	\$ (0.74)	\$ (3.81)	\$ (3.62)
Total assets	\$ 48,813	\$ 60,676	\$ 129,066
Total non-current liabilities	\$ 2,305	\$ 3,060	\$ 21,354

Management's Discussion and Analysis
SUMMARY OF INTERIM RESULTS

	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023
For the three months ended				
Revenues	\$ 14,750	\$ 12,063	\$ 10,698	\$ 12,370
Net Loss	\$ (3,456)	\$ (6,020)	\$ (3,520)	\$ (2,136)
Basic net income (Loss) per share:	\$ (0.23)	\$ (0.42)	\$ (0.25)	\$ (0.16)
Diluted net loss per share:	\$ (0.23)	\$ (0.42)	\$ (0.25)	\$ (0.16)

	June 30, 2023	March 31, 2023⁽¹⁾	December 31, 2022	September 30, 2022
For the three months ended				
Revenues	\$ 13,207	\$ 12,529	\$ 14,461	\$ 14,170
Net income (Loss)	\$ (3,706)	\$ (866)	\$ (9,650)	\$ (4,532)
Basic net income (Loss) per share:	\$ (0.26)	\$ (0.05)	\$ (1.32)	\$ (0.06)
Diluted net income (Loss) per share:	\$ (0.26)	\$ (0.05)	\$ (1.28)	\$ (0.06)

Note 1 - The figures disclosed here for the three months ended March 31, 2023, encompass updates and adjustments made during Q2 2023 to the Company's previously filed unaudited interim financial statements. The adjustments and updates were immaterial.

METRICS AND NON-IFRS FINANCIAL MEASURES

This MD&A refers to "Gross Margin", "EBITDA", and "Adjusted EBITDA". These financial 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 closest IFRS metric to EBITDA and Adjusted EBITDA is "operating loss".

Management's Discussion and Analysis

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. These financial measures are metrics that have been adjusted from the IFRS statements in an effort to provide readers with a normalized metric in making comparisons more meaningful across the cannabis industry. However, other companies in our industry may calculate this measure differently, limiting their usefulness as comparative measures.

Our management also uses these non-IFRS financial measures 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

	For the Six Months Ended June 30,		For the three months ended June 30,		For the Year ended December 31,
	2024	2023	2024	2023	2023
Net Revenue	\$ 26,813	\$ 25,736	\$ 14,750	\$ 13,207	\$ 48,404
Cost of sales	\$ (24,165)	\$ (18,759)	\$ (13,891)	\$ (9,473)	\$ (37,974)
Gross profit before FV adjustments	\$ 2,648	\$ 6,977	\$ 859	\$ 3,734	\$ 10,830
Gross margin before FV adjustments (non-IFRS)	10%	27%	6%	26%	22%

* See Note 1 under "Review of Financial Performance – Financial Highlights" section of the MD&A.

Management's Discussion and Analysis

EBITDA AND ADJUSTED EBITDA

	For the Six Months ended June 30,		For the Three Months ended June 30,		For the Year ended December 31,
	2024	2023	2024	2023	2023
Operating Loss	\$ (8,499)	\$ (5,368)	\$ (2,869)	\$ (1,752)	\$ (12,792)
Depreciation & Amortization	\$ 1,191	\$ 1,587	\$ 511	\$ 778	\$ 2,996
EBITDA	\$ (7,308)	\$ (3,781)	\$ (2,358)	\$ (974)	\$ (9,796)
IFRS Biological assets fair value adjustments, net ¹	\$ 25	\$ 617	\$ 15	\$ 278	\$ 984
Share-based payments	\$ 120	\$ 121	\$ 88	\$ (137)	\$ 225
Restructuring cost ²	\$ -	\$ 617	\$ -	\$ 334	\$ 617
Other non-recurring costs ³	\$ 2,734	\$ -	\$ (19)	\$ -	\$ -
Adjusted EBITDA (Non-IFRS)	\$ (4,429)	\$ (2,426)	\$ (2,274)	\$ (499)	\$ (7,970)

* See Note 1 under "Review of Financial Performance – Financial Highlights" section of the MD&A.

Notes:

- Losses from unrealized change in fair value of biological assets and realized fair value adjustments on inventory. See "Cost of Revenues" section of the MD&A.
- Costs attributable to the Israel Restructuring and closure of Sde Avraham Farm in 2022, and to Israel reorganization plan of the company's management and operations in 2023.
- Due to revocation of the Oranim transaction dated April 16, 2024.

The Company's Adjusted EBITDA loss for the six months ended June 30, 2024, was increased, primarily due to revocation of the Oranim transaction.

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, 2024:

	Less than one year	1 to 5 years	6 to 10 years	>10 years
Lease liabilities	\$ 486	\$ 694	-	-

December 31, 2023:

	Less than one year	1 to 5 years	6 to 10 years	>10 years
Lease liabilities	\$ 619	\$ 939	-	-

LITIGATION AND REGULATORY PROCEEDING

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 "**Stuttgart 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 at the end of March 2021. In January 2022, Stroakmont & Atton filed its statement of defence to the Stuttgart Court in which they mainly stated two arguments for their defense:

1. The contractual party of the Company was not the Stroakmont & Atton. The contract with Stroakmont & Atton was only concluded as a sham transaction in order to cover up a contract with a company named Uniclaro GmbH. Therefore, Stroakmont & Atton is not the real purchaser rather than Uniclaro GmbH.
2. 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 the allegation that the contract with Stroakmont & Atton was only concluded as a sham transaction lies with the opponents, and they offered evidences to the court in the form of testimony from certain witnesses.

A court hearing with witnesses was held on January 11, 2023, and on February 22, 2023, where witnesses testified.

According to the court the witnesses were not able to provide required evidence for the allegation regarding the sham transaction with Stroakmont & Atton. On April 5, 2023, Stuttgart Court announced its decision (the "**Judgment**") and sentenced Stroakmont & Atton to pay to Adjupharm EUR 947,563.68 plus interest in the amount of 5 percentage points above the German basis rate since May 8, 2021. In addition, Stroakmont & Atton was sentenced to pay Adjupharm EUR 6,551.20 plus interest at 5 percentage points above the German basis rate since December 14, 2021.

The directors of Stroakmont, Mr. Simic and Mr. Lapeschi, were not sentenced and in this respect, the claim was dismissed against them regarding their personal liability. Adjupharm shall pay 2/3 of the Stuttgart Court expenses and the out-of-court expenses of Mr. Simic and Mr. Lapeschi. Stroakmont shall bear 1/3 of the Stuttgart Court expenses and 1/3 of the out-of-court expenses of Adjupharm. The remaining out-of-court expenses shall be borne by each party.

Furthermore, the court did not decide on the counterclaims from an alleged order by Adjupharm for 4.3 million Clongene tests due to a set-off prohibition. This set-off prohibition follows from a jurisdiction agreement concluded between Adjupharm and Uniclaro, which determined the courts in Hamburg to be the competent court to decide about such allegations.

Management's Discussion and Analysis

The Judgment is not yet final and, therefore, cannot be enforced. On May 5, 2023, Adjupharm and Stroakmont & Atton, each submitted an appeal with the Stuttgart Court (the "Appeals") against the Judgment.

On June 23, 2023, Adjupharm filed its statement of grounds for appeal with the Higher Regional Court of Stuttgart. Adjupharm appeals against the fact that the directors of Stroakmont & Atton were not sentenced to pay jointly and severally together with Stroakmont & Atton as a result of fraud. Since they concluded the purchase agreement with Adjupharm in the name of Stroakmont & Atton and there is indication that they did not intend to pay the purchase price from the very beginning, this could be considered to be fraudulent inducement, for which they would be personally liable.

Stroakmont & Atton appeals against the judgement and request to reject the payment claim. Furthermore, they appeal against the prohibition of the set-off. Stroakmont & Atton are of the opinion that there is no such prohibition, and they want to include their alleged counterclaims in the proceedings and to receive a decision for their counterclaim by the court in Stuttgart.

So far, there have not been any instructions from the Court of Appeal and no oral hearing was held yet. It is not yet possible to estimate the outcome of the appeal proceedings at this early stage in the process.

At this stage, the Company management cannot assess its ability to collect the payment awarded in the Judgment and the chances of the claim advancing or the potential outcome of the Appeal.

UNICLARO GMBH VS. ADJUPHARM

On December 22, 2022, Uniclaro GmbH filed a statement of claim against Adjupharm with the district court in Hamburg. According to the statement of claim, Uniclaro GmbH is ("Uniclaro") claiming the payment of the amount of EUR 1,046,010 (including VAT) in exchange for 300,000 Covid-19 rapid.

Uniclaro alleges in this lawsuit that Adjupharm purchased 4.3 million Covid-19 rapid tests of the brand "Clongene" from Uniclaro. Furthermore, Uniclaro claims that the order was placed verbally on 23.03.2021 and that Adjupharm has already paid for a portion of these tests and received them, but not yet the entire 4.3 million tests. They reserve the right to extend the lawsuit for a further amount (which they did not specify).

According to Uniclaro's statement of claim the lawsuit does not concern the same purchase price and the same Covid-19 rapid tests as in the Stroakmont & Atton Claim mentioned above. On 23 February 2023, the Company provided its statement of defense to the court. The statement of defense contains similar arguments to reject the allegations in this respect as in the court proceedings in Stuttgart about the counterclaims. Adjupharm rejected the claim stating that it did not purchase such an amount of Covid-19 rapid tests, but only small portions on a case-by-case-basis and according to the available cash flow.

On February 14, 2024, a court hearing took place before the district court of Hamburg, at which the court also took evidence. The court first heard the managing directors of Uniclaro and Adjupharm. They commented on the events of March 23, 2021, and the alleged purchase. The statements of all managing directors differed from each other. Afterwards, the witness Francesco Bisceglia, who holds the position of Sales Director at Adjupharm, was also heard. His statement also partially deviated from the statements of all managing directors, but overall, the witness basically testified that the company did not purchase 4.3 million Clungene Tests in the meeting of 23. March 2021. The transcript of the hearing is still pending.

Management's Discussion and Analysis

The court provided the parties a deadline until March 27, 2024, to evaluate the statements of the managing directors and the testimony of the witness and to deliver to the court a summary of the factual and legal situation after the court hearing.

On April 24, 2024, the Regional Court of Hamburg announced its decision. The judgment is as follows:

1. Adjupharm was not sentenced. Uniclaro's lawsuit for payment of EUR 1,046,010.00 in exchange for delivery of 300,000 Clungene tests was dismissed.
2. Uniclaro is sentenced to pay Adjupharm EUR 53,990.00 plus interest at 5 percentage points above the German basis rate since 17.01.2023.
3. Uniclaro shall bear the procedural costs.

The judgment is not yet final (*rechtskräftig*). The period for the appeal by each party is one month.

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

PROCEEDINGS UNDER CCAA

See the Company's Annual Report, available on the Company's profile on SEDAR+ at www.sedarplus.ca and on EDGAR at www.sec.gov/edgar for a summary of the CCAA Proceedings.

Court materials filed in connection with Trichome's CCAA Proceedings can be found at <https://www.ksvadvisory.com/insolvency-cases/case/trichome>.

THE REGIONAL LABOR COURT - TEL AVIV (BAT YAM) 17419-04-23

On May 10, 2023, IMC Holdings received a notice that a former employee has recently filed a claim with The Regional Labor Court - Tel Aviv (Bat Yam) (the "**Court**") against 3 companies, including IMC Holdings.

On April 4, 2024, IMC Holdings filed its Statement of defense.

A preliminary hearing held on May 6, 2024, before the esteemed Honorable Judge Karin Liber-Levin at The Court. Following the preliminary hearing an adjusted claim was filed with the Court.

The nature and details of the claim and the adjusted claim are still in the preliminary stages, and IMC Holdings is actively working to comprehend the full scope of the allegations. At this stage, the Company management cannot accurately assess the potential outcome of the claims or the likelihood of the claims progressing further.

ONTARIO SUPERIOR COURT OF JUSTICE IN CANADA – STATEMENT OF CLAIM

On November 17, 2023, the Company received a copy of a Statement of Claim that was filed in the Ontario Superior Court of Justice in Canada by 35 Oak Holdings Ltd., MW Investments Ltd., 35 Oak Street Developments Ltd., Michael Wiener, Kevin Weiner, William Weiner, Lily Ann Goldstein-Weiner, in their capacity as trustees of the Weiner Family Foundation (collectively the "**MYM Shareholder Plaintiffs**") against the Company and its board of directors, Board and officers, (collectively, the "**MYM Defendants**").

MYM Shareholder Plaintiffs claims that the MYM Defendants made misrepresentations in its disclosures prior to the Company's transaction with MYM in 2021. The MYM Shareholder Plaintiffs are claiming damages that amount to approximately \$15,000 and aggravated, exemplary and punitive damages in the amount of \$1,000.

Management's Discussion and Analysis

The Company has reviewed the complaint and believes that the allegations are without merit.

The Company, together with some of the Defendants brought, on February 22, 2024, a preliminary motion to strike out several significant parts of the claim (the "**Motion**") The Motion has not been scheduled by the court.

At this time, the Company's management is of the view that the Motion has merit and is likely to succeed in at least narrowing the scope of the claim against the Company, and that it may also result in certain of the claims against individuals being dismissed altogether, and if not dismissed narrowed in scope and complexity.

On June 17, 2024, an Amended Statement of Claim was filed in the Ontario Superior Court of Justice in Canada by the MYM Shareholder Plaintiffs.

The Company plans to vigorously defend itself against the allegations. At this stage, the Company management cannot assess the chances of the claim advancing or the potential outcome of this these proceedings.

OFF-BALANCE SHEET ARRANGEMENTS

IM Cannabis had no off-balance sheet arrangements as of June 30, 2024.

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties mainly includes enterprises owned by directors or major shareholders and enterprises that have a member of key management in common with us. All of the transactions have been reviewed and approved by the Board or another independent committee of the board.

- On April 2, 2019, IMC Holdings and Focus entered into an option agreement (the "**Focus Agreement**") pursuant to which IMC Holdings acquired an option to purchase, at its sole discretion and in compliance with Israeli cannabis regulation, all the ordinary shares held by Messrs. Shuster and Gabay held in Focus at a price equal to NIS 765.67 per ordinary share until April 2029. On November 30, 2023, IMC Holdings sent a request letter to approve IMC Holding's exercise of the option and on February 25, 2024, IMCA's approval was obtained. Effective February 27, 2024, IMC Holdings acquired 74% of the ordinary shares of Focus.
- 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 April 17, 2024, R.A. Yarok Pharm entered into a loan agreement with a non-financial institute in the amount of NIS 3,000,000 (approximately \$1,082,000). Such a loan bears interest at an annual rate of 15% and mature 12 months from the date of issuance (the "**Loan**"). The Loan is secured by the following collaterals and guarantees: (a) a first-ranking floating charge over the assets of A.R. Yarok Pharm, (b) a first-ranking fixed charge over the holdings (23.3%) of its subsidiary, IMC Holdings, of Xinteza, (c) a personal guarantee by Mr. Oren Shuster, the Company's Chief Executive Officer and (D) a guarantee by the Company.

Management's Discussion and Analysis

- On October 12, 2023, Oren Shuster, the CEO (the "**Insider**") loaned an amount of NIS 500 thousand (approximately \$170) to IMC Holdings. The participation of the CEO constituted a "related party transaction", as such term is defined in MI 61-101 and would require the Company to receive minority shareholder approval for and obtain a formal valuation for the subject matter of, the transaction in accordance with MI 61-101, prior to the completion of such transaction. However, in completing the loan, the Company has relied on exemptions from the formal valuation and minority shareholder approval requirements of MI 61-101, in each case on the basis that the fair market value of the CEO's loan did not exceed 25% of the market capitalization of the Company, as determined in accordance with MI 61-101. On May 29, 2024, the Company closed a non-brokered private placement (the "**Offering**") of secured convertible debentures of the Company (each, a "**Debenture**") for aggregate proceeds of \$2,091,977. The Insider has subscribed for an aggregate of \$237,214 of Debentures in the Offering. The Insider's participation in the Offering (the "**Insider Transaction**") is a "related party transaction" as described above.

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.

PROPOSED TRANSACTIONS

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

CRITICAL ACCOUNTING POLICIES

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The Group's financial statements have been prepared on a cost basis, except for:

- Financial instruments which are presented at fair value through profit or loss.
- Biological assets which are presented at fair value less cost to sell up to the point of harvest.

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:

Functional currency, presentation currency and foreign currency

The functional currency of the Company is the Canadian dollar ("CAD"). The Group determines the functional currency of each Group entity.

Assets, including fair value adjustments upon acquisition, and liabilities of an investee which is a foreign operation, and of each Group entity for which the functional currency is not the presentation currency are translated at the closing rate at each reporting date. Profit or loss items are translated at average exchange rates for all periods presented. The resulting translation differences are recognized in other comprehensive income (loss). Upon the full or partial disposal of a foreign operation resulting in loss of control in the foreign operation, the cumulative gain (loss) from the foreign operation which had been recognized in other comprehensive income is transferred to profit or loss. Upon the partial disposal of a foreign operation which results in the retention of control in the subsidiary, the relative portion of the amount recognized in other comprehensive income is reattributed to non-controlling interests.

Management's Discussion and Analysis

Transactions denominated in foreign currency are recorded upon initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each reporting date into the functional currency at the exchange rate at that date. Exchange rate differences, other than those capitalized to qualifying assets or accounted for as hedging transactions in equity, are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currency and measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

JUDGMENTS

Determining the fair value of share-based payment transactions

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

Variable lease payments that depend on an index:

On the commencement date, the Group uses the index rate prevailing on the commencement date to calculate the future lease payments. For leases in which the Group is the lessee, the aggregate changes in future lease payments resulting from a change in the index are discounted (without a change in the discount rate applicable to the lease liability) and recorded as an adjustment of the lease liability and the right-of-use asset, only when there is a change in the cash flows resulting from the change in the index (that is, when the adjustment to the lease payments takes effect).

ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make estimates and assumptions that influence 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. 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.

Management's Discussion and Analysis

The Group'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. Restructuring Plans and actions taken in 2022 and in 2023. The Company's board of directors approved a cost saving plan, to allow the Company to continue its operations and meet its cash obligations. The cost saving plan consists of cost reduction due to efficiencies and synergies, which include mainly the following steps: discontinued operations of loss-making activities, reduction in payroll and headcount, reduction in compensation paid to key management personnel (including layoffs of key executives), operational efficiencies and reduced capital expenditures. In 2024, the company will work for fund and/or debt raising and will continue with cost savings effort as well as increased efficiency.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of assets or liabilities that might be necessary should the Company be unable to continue as a going concern.

BIOLOGICAL ASSETS

The Group's biological assets consist of cannabis plants. The Group capitalizes the direct and indirect costs incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest. The direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2, Inventory. These costs include the direct cost of planting and growing materials as well as other indirect costs such as utilities and supplies used in the cultivation process. Indirect labor for individuals involved in the cultivation and quality control process is also included, as well as depreciation on growing equipment and overhead costs such as rent to the extent it is associated with the growing space. All direct and indirect costs of biological assets are capitalized as they are incurred, and they are all subsequently recorded within the line-item cost of revenues on the Group's statements of profit or loss and other comprehensive income in the period that the related product is sold. The Group then measures the biological assets at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of inventory after harvest. The fair value is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price per gram and for any additional costs to be incurred (e.g., post-harvest costs). The net unrealized gains or losses arising from changes in fair value less cost to sell during the period are included in the gross profit for the related period and are recorded in a separate line on the face of the Group's statements of profit or loss and other comprehensive income. Determination of the fair values of the biological assets requires the Group to make assumptions about how market participants assign fair values to these assets. These assumptions primarily relate to the level of effort required to bring the cannabis up to the point of harvest, costs to convert the harvested cannabis to finished goods, sales price, risk of loss, expected future yields from the cannabis plants and estimating values during the growth cycle. The Group accretes fair value on a straight-line basis according to stage of growth (e.g., a cannabis plant that is 50% through its growing cycle would be ascribed approximately 50% of its harvest date expected fair value, subject to wastage adjustments). The fair value of biological assets is categorized within Level 3 of the fair value hierarchy. For the inputs and assumptions used in determining the fair value of biological assets. The Group's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods. As of June 30, 2024, and 2023, the Company does not hold biological assets.

Management's Discussion and Analysis

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for by applying the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred on the acquisition date with the addition of non-controlling interests in the acquiree. In each business combination, the Company chooses whether to measure the non-controlling interests in the acquiree based on their fair value on the acquisition date or at their proportionate share in the fair value of the acquiree's net identifiable assets. Direct acquisition costs are carried to the statement of profit or loss as incurred.

In a business combination achieved in stages, equity interests in the acquiree that had been held by the acquirer prior to obtaining control are measured at the acquisition date fair value while recognizing a gain or loss resulting from the revaluation of the prior investment on the date of achieving control. Contingent consideration is recognized at fair value on the acquisition date and classified as a financial asset or liability in accordance with IFRS 9. Subsequent changes in the fair value of the contingent consideration are recognized in profit or loss. If the contingent consideration is classified as an equity instrument, it is measured at fair value on the acquisition date without subsequent remeasurement.

Goodwill is initially measured at cost which represents the excess of the acquisition consideration and the amount of non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the resulting amount is negative, the acquirer recognizes the resulting gain on the acquisition date.

IMPAIRMENT OF FINANCIAL ASSETS

The Group evaluates at the end of each reporting period the loss allowance for financial debt instruments measured at amortized cost. The Group has short-term financial assets, principally trade receivables, in respect of which the Group applies a simplified approach and measures the loss allowance in an amount equal to the lifetime expected credit losses. The impairment loss, if any, is recognized in profit or loss with a corresponding allowance that is offset from the carrying amount of the assets.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss. An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

Management's Discussion and Analysis

The following criteria are applied in assessing impairment of these specific assets:

The Group reviews goodwill for impairment once a year, on December 31, or more frequently if events or changes in circumstances indicate that there is an impairment.

Goodwill is tested for impairment by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill has been allocated. The Company identified the operations in Israel, Canada, and Europe as three separate cash-generating units.

An impairment loss is recognized if the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is less than the carrying amount of the cash-generating unit (or group of cash-generating units). Any impairment loss is allocated first to goodwill. Impairment losses recognized for goodwill cannot be reversed in subsequent periods.

LEGAL CLAIMS

A provision for claims is recognized when the Group has a present legal or constructive obligation because of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required by the Group to settle the obligation and a reliable estimate can be made of the amount of the obligation.

PUT OPTION GRANTED TO NON-CONTROLLING INTERESTS

When the Group grants non-controlling interests a put option, the non-controlling interests are classified as a financial liability and are not accorded their share in the subsidiary's earnings. At each reporting date, the financial liability is measured on the basis of the estimated present value of the consideration to be transferred upon the exercise of the put option / based on the fair value of the consideration. Changes in the amount of the liability are recorded in profit or loss.

DEFERRED TAX

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes. Deferred taxes are measured at the tax rate that is expected to apply when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilized. Deductible carry forward losses and temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable.

Deferred taxes in respect of investment property that is held with the objective of recovering substantially all of the economic benefits embedded in the investment property through sale and not through use are measured in accordance with the expected manner of recovery of the base asset, on the basis of sale rather than use.

When the Company owns an investment in a single property company and the manner in which the Company expects to dispose of the investment is by selling the shares of the property company rather than by selling the property itself, the Company recognizes deferred taxes for both inside temporary differences arising from the difference between the carrying amount of the property and its tax basis, and for outside temporary differences arising from the difference between the tax basis of the investment and the Company's carrying amount of the net assets of the investment in the consolidated financial statements. Taxes that would apply in the event of the disposal of investments in investees have not been considered in computing deferred taxes, if the disposal of the investments in investees is not probable in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by investees as dividends have not been considered in computing deferred taxes, since the distribution of dividends does not involve an additional tax liability or since it is the Company's policy not to initiate distribution of dividends from a subsidiary that would trigger an additional tax liability. Taxes on income that relate to distributions of an equity instrument and to transaction costs of an equity transaction are accounted for pursuant to IAS 12. Deferred taxes are offset if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

Management's Discussion and Analysis

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

Property, plant and equipment are measured at cost, including directly attributable costs, less accumulated depreciation, accumulated impairment losses and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that are used in connection with plant and equipment. A part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately using the component method.

Depreciation of property, plant and equipment is dependent upon estimates of useful lives and residual values which are determined through the exercise of judgement and calculated on a straight-line basis over the useful lives of the assets at annual rates.

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.

Management's Discussion and Analysis

DETERMINING THE FAIR VALUE OF AN UNQUOTED FINANCIAL ASSETS AND LIABILITIES

The fair value of unquoted financial assets in Level 3 of the fair value hierarchy is determined using valuation techniques, generally using future cash flows discounted at current rates applicable for items with similar terms and risk characteristics. Changes in estimated future cash flows and estimated discount rates, after consideration of risks such as liquidity risk, credit risk and volatility, are liable to affect the fair value of these assets.

REVENUE RECOGNITION

Revenue from contracts with customers is recognized when the control over the goods or services is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes). In determining the amount of revenue from contracts with customers, the Group evaluates whether it is a principal or an agent in the arrangement. The Group is a principal when the Group controls the promised goods or services before transferring them to the customer. In these circumstances, the Group recognizes revenue for the gross amount of the consideration. When the Group is an agent, it recognizes revenue for the net amount of the consideration, after deducting the amount due to the principal.

REVENUE FROM THE SALE OF GOODS

Revenue from the sale of cannabis products is generally recognized at a point in time when control over the goods have been transferred to the customer. Payment is typically due prior to or upon delivery and revenue is recognized upon the satisfaction of the performance obligation. The Group satisfies its performance obligation and transfers control upon delivery and acceptance by the customer.

Variable consideration:

The Group determines the transaction price separately for each contract with a customer. When exercising this judgment, the Group evaluates the effect of each variable amount in the contract, taking into consideration discounts, penalties, variations, claims, and non-cash consideration. In determining the effect of the variable consideration, the Group normally uses the "most likely amount" method described in the Standard. Pursuant to this method, the amount of the consideration is determined as the single most likely amount in the range of possible consideration amounts in the contract. According to the Standard, variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Bill-and-hold arrangements:

Due to strict regulations of security, storage and handling large quantities of cannabis products, the Group's customers may request the Group to retain physical possession of a sold product until it is delivered to the customer at a future point in time. Revenue from bill-and-hold sales is recognized before the product is physically delivered to the customer when all of the following criteria are met:

- a. The reason for the bill-and-hold arrangement is substantive (for example, the customer has requested the arrangement);
- b. The product is identified separately as belonging to the customer;
- c. The product currently is ready for physical delivery to the customer;
- d. The Group does not have the ability to use the product by selling it or delivering it to another customer.

Management's Discussion and Analysis

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The following new accounting standards applied or adopted during the six months ended June 30, 2024, and had no impact on the Interim Financial Statements:

a. Amendments to IAS 1, "Non-Current liabilities with Covenants and Classification of Liabilities as current or non-current":

In January 2020, the IASB issued amendments to IAS 1, regarding the criteria for classifying liabilities with covenants as current or non-current.

In October 2022 the IASB issued an additional amendment accordingly a Company has to disclose of the book value of the liability and information on the financial benchmarks as well as facts and circumstances at the end of the reporting period that may lead to the conclusion that the entity will have difficulty in complying with the financial covenants. The Amendment is applicable for annual periods beginning on or after January 1, 2024.

The Company has a loan that is presently convertible into Ordinary shares of the Company. The conversion component is classified in the financial statements as a financial liability.

b. Amendment to IFRS 16, "LEASES ":

In September 2022, the IASB issued an amendment to IFRS 16, " Lease Liability in a Sale and Leaseback" ("IFRS 16"), which provides accounting treatment in the financial statements of the seller-lessee in sale and leaseback transactions when the lease payments are variable lease payments that do not depend on the index or the exchange rate. As part of the amendment, the seller-lessee is required to adopt one of two approaches to measuring the liability for the lease at the time of first recognition of such transactions. The chosen approach constitutes an accounting policy that must be applied consistently.

The Amendment is applicable for annual periods beginning on or after January 1, 2024.

The Amendment did not have a material impact on the Company interim consolidated financial statements.

c. Amendments to IAS 7 and IFRS 7, "Statement of Cash Flows", and IFRS 7, "Financial Instruments: Disclosures ":

In May 2023, the IASB published amendments to International Accounting Standard 7, Statement of Cash Flows, and IFRS 7, Financial Instruments: Disclosures (hereinafter: "the amendments"), to clarify the characteristics of to address the presentation of liabilities and the associated cash flows arising out of supplier finance arrangements, as well as disclosures required for such arrangements.

The disclosure requirements in the amendments are intended to assist and enable users of the financial statements to assess the effects of supplier financing arrangements on the entity's obligations as well as on the entity's cash flows and exposure to liquidity risk. The Amendment is applicable for annual periods beginning on or after January 1, 2024.

According to the transition provisions of the Amendments, the Company is not required to provide disclosures in interim periods during the first year of adoption, and therefore the above Amendments did not have a material impact on the Company's condensed interim consolidated financial statements. However, the Amendments are expected to affect the disclosures of supplier finance arrangements in the Company's annual consolidated financial statements.

Management's Discussion and Analysis

d. IFRS 18, "Presentation and Disclosure in Financial Statements":

In April 2024, the International Accounting Standards Board ("the IASB") issued IFRS 18, "Presentation and Disclosure in Financial Statements" ("IFRS 18") which replaces IAS 1, "Presentation of Financial Statements". IFRS 18 is aimed at improving comparability and transparency of communication in financial statements.

IFRS 18 retains certain existing requirements of IAS 1 and introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information.

IFRS 18 does not modify the recognition and measurement provisions of items in the financial statements. However, since items within the statement of profit or loss must be classified into one of five categories (operating, investing, financing, taxes on income and discontinued operations), it may change the entity's operating profit. Moreover, the publication of IFRS 18 resulted in consequential narrow scope amendments to other accounting standards, including IAS 7, "Statement of Cash Flows", and IAS 34, "Interim Financial Reporting".

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, and is to be applied retrospectively. Early adoption is permitted but will need to be disclosed.

The Company is evaluating the effects of IFRS 18, including the effects of the consequential amendments to other accounting standards, on its consolidated financial statements.

Management's Discussion and Analysis
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
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)

Note:

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, 2024, and 2023, amounted to \$(20) and \$(3,304), respectively.

The warrants fair value for June 30, 2024, was measured using the Black & Scholes model with the following key assumptions:

	Issue date		
	May 2023	February 2023	May 2021
Expected volatility	48.43%	48.43%	48.43%
Share price (Canadian Dollar)	0.63	0.63	0.63
Expected life (in years)	1.849	1.603	1.849
Risk-free interest rate	4.9%	4.9%	4.9%
Expected dividend yield	0%	0%	0%
Fair value:			
Per Warrant (Canadian Dollar)	\$ 0.014	\$ 0.010	\$ 0
Total Warrants (Canadian Dollar in thousands)	\$ 7	\$ 50	\$ 0

Management's Discussion and Analysis

- B. Debentures are measured in fair value for the issuance date. The Debentures fair value for the issuance date was measured using 16.55% IRR and was summarized to \$1,975 of Convertible Debt and \$327 of conversion option for Convertible Debt.

Finance (income) expense in respect of the Convertible Debt for the six months ended June 30, 2024, and 2023, amounted to \$442 and \$nil, 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; 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 CEO and CFO to certify that they are responsible for establishing and maintaining DC&P and ICFR for the Company and have concluded that as at December 31, 2023, 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 December 31, 2023, 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 December 31, 2023, the Company's DC&P and ICFR were effective.

There have been no changes to the Company's ICFR during the three and six months ended June 30, 2024 that have materially affected, or are likely to materially affect, the Company's ICFR.

Management's Discussion and Analysis

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 Oranim Plus (the "**Excluded Entity**"), acquired by the Company or by one of its subsidiaries within 365 days of the end of the period ended December 31, 2023.

As of June 30, 2024, the Company has implemented its DC&P AND ICFR in all its subsidiaries.

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 retained an option with Messrs. Shuster and Gabay to re-acquire the interest sold in Focus at its sole discretion and in accordance with Israeli cannabis regulations, within 10 years of the IMC Restructuring date (the "**Focus Agreement**"). The Focus Agreement sets an aggregate exercise price of NIS 765.67 per share of Focus, totaling NIS 2,756,500, equivalent to the price paid by Messrs. Shuster and Gabay for the acquired interests in Focus at the time of the IMC Restructuring. On November 30, 2023, IMC Holdings exercised its option to purchase the 74% interest in Focus held by Oren Shuster and Rafael Gabay by submitting a request to IMCA, which approved the transaction on February 25, 2024. IMC Holdings provided all necessary information and intends to timely file all required notices with the tax authorities according to applicable law.

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's 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. On February 26, 2024 the parties to the IP Agreement executed a cancellation note, thereby cancelling the IP Agreement as of the signing date.

Management's Discussion and Analysis

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 applied 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.

In addition, Rosen and Pharm Yarok signed a services agreement to use IMC Holdings for certain services such as administrative, financial, legal, and headquarters services. In consideration for the services Rosen and Pharm Yarok shall pay IMC Holdings on a quarterly basis (unless agreed otherwise by the Parties) an amount equal to an arm's length calculation as determined from time to time. The charges for the services provided by IMC Holdings will be allocated based on Key Performance Indicators (KPIs).

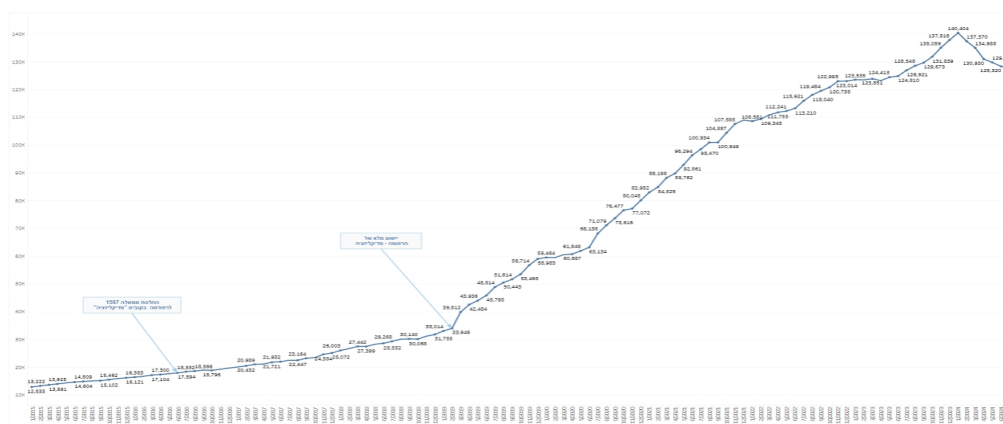
ISRAELI MARKET DEVELOPMENT 2013-2024

According to Israeli Ministry of Health, as of July 2024, there are 128,320 medical cannabis licensed patients in Israel. A monthly prescription of 5,049,000 grams of medical cannabis were recorded in July 2024 an increase of 119,000 grams of cannabis from July 2023.⁵

The chart below reflects the growth in licensed medical cannabis patients in Israel between May 2014 to July 2024⁶

⁵ Israel Ministry of Health – licensed patients' data as of April 7 2024 - https://www.gov.il/BlobFolder/reports/licenses-status-march-2024/he/subjects_cannabis_docs_licenses-status-march-2024.pdf

⁶ Ministry of Health – licensed patients' data as of July 2024 - chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.gov.il/BlobFolder/reports/licenses-status-july-2024/he/subjects_cannabis_docs_licenses-status-july-2024.pdf



REGULATORY FRAMEWORK IN ISRAEL

In Israel, cannabis is currently defined as a “dangerous drug” according to the Dangerous Drugs Ordinance⁷ (“**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. 3069.⁸ 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 10⁹ 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**”).¹⁰ 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.

⁷ 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

⁸ Israeli Government Res. No. 3609 [in Hebrew], August 7th, 2011

https://www.gov.il/he/departments/policies/2011_des3609

⁹ 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)

¹⁰ 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

Management's Discussion and Analysis

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.

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, 2019,¹¹ and in December 2020, the IMCA published guidelines for the medical cannabis export permit application process.¹²

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 DDO. 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 DDO. 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.

¹¹ Directive 4490 [Hebrew] - https://www.gov.il/he/departments/policies/dec4490_2019

¹² Directive 110, December 2020 [Hebrew] - https://www.health.gov.il/hozer/CN_110.pdf

Management's Discussion and Analysis

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.

Regulatory Reform from Licenses to Prescriptions for Medical Treatment of Cannabis

In August 2022, the MOH published a draft outline of the transition reform from licenses to prescriptions for medical treatment of cannabis (the "**Proposed Outline**"). On June 13, 2023, the health committee of the Knesset approved The Dangerous Drugs Regulations (Amendment), 2023 (hereinafter referred to as the "**Regulations Amendment**"), which entail a model change from issuing licenses to prescriptions permits following the publication of the Proposed Outline¹³. The Regulations Amendment allows accessibility and significant bureaucratic relief for patients. The purpose of the new prescription model (as defined below) is to enable qualified specialist doctors (excluding general practitioner, family physician, internal physician and pediatrician) to write prescriptions for medical cannabis for patients under the supervision of health care providers (widely known as Kupat Holim), without requiring a usage license from the Ministry of Health (hereinafter referred to as "**The New Prescription Model**").

The main changes in the Regulations Amendment are: (i) any specialized doctor can issue permits without the need for specialized training; (ii) the permits for the use of cannabis will be in the form of prescriptions, and not in the form of licenses from the MOH as the current framework requires; (iii) cannabis products can be sold in any pharmacy, and not only in pharmacies that have received a special permit from the IMCA and a license from the MOH. The Regulations Amendment will come into effect within 180 days from the date of their publication. To the best of the Company's knowledge, the indications approved as part of the Regulations Amendment encompass various conditions, such as oncological diseases, active inflammatory bowel disease, AIDS, Multiple Sclerosis, Parkinson's disease, Tourette syndrome, epilepsy, autism, and dementia.

On December 8, 2023 the Company announced a 3-month delay of the anticipated medical cannabis reform announced by the Israeli ministry of health on August 7, 2023 (the "**Reform**"). Due to the Israel-Hamas war, the anticipated implementation of the medical cannabis regulatory reform, originally scheduled for December 29, 2023, has been postponed by three months. The new regulations were designed to alleviate many of the stringent restrictions in the sector, thereby enhancing access to medical cannabis for patients.

¹³ [Hebrew] - <https://www.gov.il/he/Departments/policies/reform-of-drug-prescription>

Management's Discussion and Analysis

On April 1, 2024, the Company announced the implementation of the medical cannabis regulatory reform in Israel as of April 1, 2024.

The Reform will be implemented in phases, as approved, and announced by the Israeli Ministry of Health. The key aspects of the initial phase, commencing today, April 2024, are as follows:

1. Change in the prescription process: patients with a wide range of diseases and medical conditions from Oncology to Parkinsons will no longer be required to obtain a license to receive medical cannabis. Patients will receive a prescription similar to those for other prescription medications. Pain and PTSD are not included in the Reform yet.
2. Medical cannabis will now be prescribed through the HMO's, Israel's public healthcare system: until the Reform, cannabis could not be prescribed through the HMO's which cover the majority of the Israeli population.
3. The number of prescribing physicians is expected to increase: as of today, HMO physicians, who are dully trained and certified within their field of expertise, can prescribe medical cannabis as a first line treatment, as opposed to a last resort, based on medical discretion for the approved indications.
4. The cost for prescription is anticipated to be reduced: the Ministry of Health limited the cost for a medical cannabis prescription.

For the full report published by the Ministry of Health see (in Hebrew)- https://www.health.gov.il/hozer/mmk152_2016.pdf.

"Anti-Dumping" investigation into cannabis imports from Canada

A notice on the Israeli Government's website dated January 18, 2024, was addressed to 10 different Canadian cannabis producers: Village Farms International, Organigram Holdings, Tilray Canada, Hexo Corp (owned by Tilray), The Green Organic Dutchman, Canopy Growth Corporation, SNDL Inc., Cronos Group, Auxly Cannabis Group, Decibel Cannabis, and all the medical cannabis manufacturers in Canada who export their goods to Israel.

The Commissioner for Trade Levies at the Ministry of Economy and Industry (the "**Commissioner**"), announced by virtue of his authority according to Section 24(d) of the Law on Trade Levies and Defence Measures, 5591 – 1991, of his decision to open an investigation on his own initiative into the export import of cannabis from Canada, after he found that special circumstances of actual damage exist or the probability of actual damage to the local manufacturing industry and a causal link between the imported imports and said damage. The notice also included a letter sent to Michael Mancini, the Chief Commercial Counselor with the Embassy of Canada, informing them of the investigation, dated January 15, 2024. The Ministry of Economy and Industry issued a formal notice to the public to respond to questionnaires regarding the "Anti-Dumping" investigation.

Further to several requests received from the parties and in accordance with section 27(b) of the Law on Trade Levies and Defense Measures, 1991 which states that "The Commissioner may, for special reasons that shall be recorded, extend the period specified in subsection (a) by an additional period that shall not exceed 30 days." (the emphasis is not in the original), the Commissioner decided that special conditions exist for extending the deadline for the submission of the required materials as part of the investigation into the export of medical cannabis to Israel from Canada for 10 days until March 10, 2024. Due to constraints presented by the parties following the "Iron Swords" war, mainly significant delays in the preparation of the materials due to the absence of many workers as part of the extensive recruitment in Israel for the reserve service at this time and due to the unique complexity of the Israeli cannabis market where many players are required to submit data both as producers and importer. The Company has submitted the relevant questionnaires regarding its subsidiaries Focus and IMC Pharma, which are included in the investigation and for its subsidiary Rosen Highway.

On July 10th, 2024, the Commissioner published a preliminary decision regarding the investigation and findings determining that there is dumping and consequent injury, on the basis of best information available. The Company is evaluating the preliminary decision and its potential impact on the Company and its subsidiaries. The Company will submit its response by August 28, 2024, as required by the preliminary decision, or by any extended deadline set by the Commissioner.

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”. Until the Act on the Handling of Consumer Cannabis (Consumer Cannabis Act - KCanG) came into force on 1 April 2024, legalization in Germany applied 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. Operations involving adult-use recreational cannabis products became legal under certain conditions defined in the KCanG. This development has its origins in the fact that the current German government has declared in the coalition agreement at the end of 2021 its intention to open up the German market also in the adult-use recreational market. In October 2022, a key points paper¹⁴ on the controlled supply of cannabis to adults for consumption purposes, although a restructuring of the existing regulatory framework on cannabis in general was also discussed, published by the cabinet, which was submitted to the European Union Commission for a preliminary legal examination. In this respect, the Federal Government issued a declaration of interpretation with regard to existing international agreements governing the adult-use recreational cannabis usage and submitted a draft law to the European Union Commission within the framework of a notification. After a long political debate, the German Bundestag approved the federal government's draft law "on the controlled use of cannabis" (BT Drs. 20/8704¹⁵, BT Drs. 20/8763¹⁶, BT-Drs. 20/10426¹⁷) on Friday, 23 February 2024. The draft law (BT Drs. 20/8704) then came into force on 1 April 2024. An adjustment has already been made by Article 1 of the Act of 20 June 2024 (BGBl. 2024 I No. 207)¹⁸. Some components of the KCanG, which deal with so-called consumer cannabis, came into force on 1 July 2024 (such as the possibility to apply for a permission to grow by and distribute recreational cannabis to members of a cultivation association. The entry into force of the law also had direct consequences for medicinal cannabis, which is the subject matter of Art. 2 (Medical Cannabis Act - MedCanG) and 3 (BtMG) of the law. With the entry into force, cannabis is no longer a narcotic by definition and is therefore no longer subject to the BtMG. The definition in Annex 3 of the BtMG was replaced by that in Section 2 MedCanG: "*Cannabis for medical purposes: plants, flowers and other parts of plants belonging to the genus Cannabis that are grown for medical purposes under state control in accordance with Articles 23 and 28(1) of the Single Convention on Narcotic Drugs of 1961 of 30 March 1961 (Federal Law Gazette 1973 II p. 1354), as well as delta-9-tetrahydrocannabinol including dronabinol and preparations of all the aforementioned substances*". However, the narcotics regulations were replaced by comparable regulations and authorisations. The Federal Institute for Drugs and Medical Devices (BfArM) will remain responsible for the latter as a higher federal authority. From a regulatory perspective, medicinal cannabis remains a medicinal product or an active pharmaceutical ingredient, meaning that the requirements under medicinal product law will remain in place. As a result, the marketing of irradiated products continue to require a marketing authorisation in accordance with the Ordinance on Medicinal Products Treated with Radioactive or Ionising Radiation (AMRadV). Only the narcotics licence pursuant to Section 3 BtMG is replaced by a new licence pursuant to the Medicinal Cannabis Act (MedCanG) (see Section 1), which, however, largely corresponds to the previous provisions of the BTMG with regard to the application process and general regulations. However, there are the following differences that are new due to the entry into force: Medicinal cannabis no longer has to be stored and transported like a narcotic. The corresponding safety precautions no longer apply, meaning that compliance with the provisions of pharmaceutical law is sufficient. The so-called semi-annual reports will be replaced by annual reports. The requirements for the person responsible for medicinal cannabis are slightly reduced compared to those for narcotics. A prescription of medicinal cannabis is possible without the need to use the form for prescription for narcotics. A normal prescription is sufficient. This is just an overview – we would be pleased to comment on this in more detail separately. However, it is likely to be of great importance that the cultivation of medicinal cannabis based on Section 17 MedCanG is no longer subject to public tenders, but - like the trading licence - is ultimately subject to a two-stage authorisation (at state level with regard to the pharmaceutical regulations and at federal level with regard to the fact that it is medicinal cannabis).

¹⁴ https://www.bundesgesundheitsministerium.de/fileadmin/Dateien/3_Downloads/Gesetze_und_Verordnungen/GuV/C/Kabinettvorlage_Eckpunkt Papier_Abgabe_Cannabis.pdf (in German language).

¹⁵ <https://dserver.bundestag.de/btd/20/087/2008704.pdf> (in German language).

¹⁶ <https://dserver.bundestag.de/btd/20/087/2008763.pdf> (in German language).

¹⁷ <https://dserver.bundestag.de/btd/20/104/2010426.pdf> (in German language).

¹⁸ <https://www.recht.bund.de/bgbl/1/2024/207/VO.html>.

Management's Discussion and Analysis

Medical cannabis in Germany must comply with the corresponding monographs of the German and European pharmacopoeia. Currently, there are still (non-harmonised) national pharmacopoeial monographs for cannabis flowers (e.g. in the German Pharmacopoeia (Deutsches Arzneibuch (DAB)) and cannabis extracts (DAB) in the EU. The Committee on Herbal Medicinal Products (HMPC) as the European Medicines Agency's (EMA) committee responsible for compiling and assessing scientific data on herbal substances, preparations and combinations, announced that in view of uniform EU quality requirements (including with respect to import and export of cannabis), further European Pharmacopoeia (Ph. Eur.) Cannabis monographs are in preparation.

The European Pharmacopoeia (Ph. Eur.) Suppl. 11.5 is published and contains the new Ph. Eur. Monograph on cannabis flowers and the new Ph. Eur. Monograph on Cannabidiol (CBD). According to the current status, the Ph. Eur. Monograph on Cannabis Flowers shall replace the currently existing national monographs (NL, DK, D and CH) from the official implementation date (1 July 2024). According to the BfArM, the texts of addendum 11.5 in English and French have been declared provisionally applicable. However, the German translation and the announcement also provide for transitional regulations that will make the use of the monograph in the DAB legal until mid-2025. The new monograph on cannabis flowers includes Starting materials for the production of extracts, medicinal products that can be prescribed as such (herbal medicinal products) that are taken by patients by inhalation or oral administration. There are not entirely irrelevant changes compared to the German monograph.

All BtMG permit applications had to specify the strains and estimated quantities of medical cannabis involved and any subsequent changes had to be reported to the Federal Opium Agency of Germany. The same applies regarding Sections 7, 8 MedCanG in relation to the authorisation to trade in medicinal cannabis, although it is now apparent that no expected annual quantities are to be specified. However, it can be assumed that the BfArM nevertheless enquire about these due to the (albeit somewhat reduced compared to the BtMG) reporting obligations in Sections 16 and 17 MedCanG and the Foreign Narcotics Trade Regulation, which remains applicable (see Section 14 MedCanG).

Unlike cannabis, CBD was 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 and CBD is neither subject to the KCanG nor to the MedCanG. 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).

Management's Discussion and Analysis

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 regulated pricing of German-produced medical cannabis products and served as an intermediary of medical cannabis product sales between manufacturers, wholesalers and pharmacies on a non-profit basis so far. 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 served 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 received the permission to cultivate on behalf of the Cannabis Agency of the BfArM.

Future Situation:

With the entry into force of the MedCanG, the granting of licences for domestic cultivation is no longer subject to tendering but governed by §§ 4 et seq. MedCanG. The previously time-consuming tendering and awarding of contracts for the domestic cultivation of cannabis for medical purposes by the Cannabis Agency and the subsequent purchase and distribution of the domestic harvest yields by the Cannabis Agency from the economic operators determined during the tendering procedure are no longer necessary in future.

Import volumes and procedures

The past and present 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.

Management's Discussion and Analysis

Dispensing Exclusively via Pharmacies

Medical cannabis products imported pursuant to an import license under the MedCanG and AMG permits are sold exclusively to pharmacies for final dispensing to patients on a prescription basis as 'magistral preparations', a term used in Europe to refer to medical products prepared in a pharmacy in accordance with 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 "flos"), 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, 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 Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2023 available on the Company's profile on SEDAR+ at www.sedarplus.com and on EDGAR at www.sec.gov/edgar (the "**Annual Report**"). For additional risk factors, readers are directed to the Annual Report. 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, 2024, is the carrying amount of cash and cash equivalents, trade receivables and other current assets. The Group does not have significant credit risk with respect to outstanding trade receivables. 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 Company'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.

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.

Management's Discussion and Analysis

LIQUIDITY RISK

As of June 30, 2024, the Group's financial liabilities with liquidity risk consist of trade payables and other accounts payable which have contractual maturity dates within one year, bank loans and, checks receivables and lease liabilities. The Group manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Group's working capital position at June 30, 2024, management considers liquidity risk to be high.

CURRENCY RATE RISK

As of June 30, 2024, a portion of the Company's financial assets and liabilities are held in Euro, NIS and USD consist of cash and cash equivalents in the amount of EUR 297 thousand (approximately \$436), NIS 674 thousand (approximately \$246), USD 1 thousand (approximately \$1), respectively. The Company's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties in NIS. The Company 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 Group's investments in unlisted shares are sensitive to market price risk arising from uncertainties about future value of these investments. The Group manages the price risk through diversification and by placing limits on individual and total investment in shares. The Company's Board of directors reviews and approves all decisions related to investments in shares. At the reporting date, the Group's exposure to investments in unlisted shares measured at fair value was \$2,284.

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.

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.

By Notice of Assessment for Excise Tax dated October 23, 2023 and covering the period January 1, 2020 to December 31, 2020, the Company was assessed tax on insurance of \$198,687.57, arrears interest of \$36,248.62 and a failure to file penalty of \$7,947.49 (collectively, the "**2020 Assessment**").

By Notice of Assessment for Excise Tax dated October 23, 2023 and covering the period January 1, 2021 to December 31, 2021, the Company was assessed excise tax on insurance of \$72,944.92, arrears interest of \$1,533.75 and a failure to file penalty of \$499.48 (collectively, the "**2021 Assessment**").

Management's Discussion and Analysis

If a person files a Notice of Objection (Excise Tax Act), the CRA cannot take collection action on amounts in dispute until 90 days after the Notice of Decision is sent to that person. However, interest and penalty continue to accrue on any amount owing.

On November 29, 2023, the Company filed Notices of Objection (Excise Tax Act) to the 2020 Assessment and the 2021 Assessment. Therefore, the CRA cannot take collection action on the amounts noted above until 90 days after Notices of Decision are sent to the Company.

On April 26, 2024, the Company received a letter from the CRA that the Notice of Assessment for Excise Tax that the Company objected to will be voided and no outstanding balance will be owed with respect to such assessments. Based on the forgoing, this matter has been resolved to the Company's satisfaction and the objections were finalized.

CONSOLIDATION OF CERTAIN FINANCIAL RESULTS UNDER IFRS 10 AND MAINTENANCE OF COMMON CONTROL

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

Subsequent to the restructuring of IMC Holdings on April 2, 2019, the Company analyzed the terms of the contractual agreements with Focus in accordance with IFRS 10 to conclude whether it should continue to consolidate the accounts of Focus in its financial statements.

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

- (a) the Company receiving economic benefits from Focus (and the terms of the contractual agreements between the Company and Focus cannot be changed without the approval of IMC Holdings);
- (b) IMC Holdings having the option to purchase the divested 74% interest in Focus held by Oren Shuster, the CEO, director and a promoter of the Company, and Rafael Gabay, a former director and a promoter of the Company.
- (c) Messrs. Shuster and Gabay each being a director of Focus (while Mr. Shuster concurrently being a CEO, director and substantial shareholder of the Company and Mr. Gabay concurrently being a substantial shareholder of the Company); and
- (d) the Company providing management and support activities to Focus through a services agreement.

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

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

Management's Discussion and Analysis

On November 30, 2023, IMC Holdings acted to exercise its option to purchase the divested 74% interest in Focus held by Oren Shuster, and Rafael Gabay by submitting a request to the "IMCA," an agency operated by the Israeli Ministry of Health that will allow the option exercise. On February 25, 2024, IMCA approved the persons who will be acting on behalf on IMC Holding pursuant to the exercise of the option, allowing to complete the transaction. On February 26, 2024, IMC Holdings has exercised its option and as of that date, IMC holds 74% of Focus. The Company will continue to consolidate the financial results of Focus in the Company's financial statements.

POSSIBLE DIRECT INVOLVEMENT IN THE ISRAELI CANNABIS INDUSTRY

According to current Israeli regulatory medical cannabis framework, any engagement in Cannabis Activities requires receiving the applicable license from the "IMCA", an agency operated by the Israeli Ministry of Health, which requires, among other things, pre-approvals by the IMCA (the "IMCA Pre-Approval Requirement") of the directors, officers and shareholders holding 5% or more of the shares of the license applicant ("Material Holders"), and of all directors, officers and shareholders that become Material Holders following the grant of the applicable license. Therefore, if the Company will be considered by the IMCA as directly engaged in Cannabis Activities the aforementioned approvals by the IMCA might apply, on future security holdings, as described above.

Furthermore, any failure of the Company or its shareholders to comply with the IMCA Pre-Approval Requirement may impact the Group's ability to continue operating in compliance with any licenses to engage in Cannabis Activities or to renew such licenses. Any inability of the Group to maintain licenses for Cannabis Activities in good standing may result in a material adverse effect on the Group's business, financial condition, results of operations and prospects.

COMPANY'S ABILITY TO CONTINUE AS A GOING CONCERN

The Group'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. In 2023 The Company's board of directors approved a cost saving plan, to allow the Company to continue its operations and meet its cash obligations. The cost saving plan consisted cost reduction due to efficiencies and synergies, included mainly the following steps: discontinued operations of loss-making activities, reduction in payroll and headcount, reduction in compensation paid to key management personnel (including layoffs of key executives), operational efficiencies and reduced capital expenditures. Those actions are continuing to save costs in 2024 and the company will continue its efforts for efficiency operations.

Despite the cost savings plan and restructuring as described above, the projected cash flows for 2024 indicates that it is uncertain that the Group will generate sufficient funds to continue its operations and meet its obligations as they become due. The Group continues to evaluate additional sources of capital and financing. However, there is no assurance that additional capital and or financing will be available to the Group, and even if available, whether it will be on terms acceptable to the Group or in amounts required.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of assets or liabilities that might be necessary should the Company be unable to continue as a going concern.

Management's Discussion and Analysis

CONFLICT AND POLITICAL INSTABILITY IN EASTERN EUROPE

The first part of 2024 has seen significantly higher levels of volatility in global markets due to market participants' reactions to, and uncertainty surrounding, the magnitude and timing of government and central bank action to be taken in response to heightened inflation, as well as Russia's invasion of Ukraine. This volatility has resulted in a decline in the level of activity in the financial markets. Continued market volatility or uncertainty related to actions taken or to be taken by central banks, a decline in the global macroeconomic outlook, including as a result of Russia's invasion of Ukraine and the threat, or outbreak of more widespread armed conflict in Eastern Europe would cause financial market activity to continue to decrease, which would negatively affect the Group's revenues and capital markets activity.

CONFLICT AND POLITICAL INSTABILITY IN ISRAEL - THE ISRAEL-HAMAS WAR

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

Any armed conflicts, terrorist activities or political instability in the region could adversely affect business conditions, could harm the Group's results of operations, and could make it more difficult for us to raise capital. Parties with whom the Group does business may decline to travel to Israel during periods of heightened unrest or tension, forcing the Group to make alternative arrangements when necessary in order to meet our business partners face to face. In addition, the political and security situation in Israel may result in parties with whom we have agreements involving performance in Israel claiming that they are not obligated to perform their commitments under those agreements pursuant to force majeure provisions in such agreements. Further, in the past, the State of Israel and Israeli companies have been subjected to economic boycotts. Several countries still restrict business with the State of Israel and with Israeli companies. These restrictive laws and policies may have an adverse impact on our operating results, financial condition or the expansion of our business.

Furthermore, under Israeli law, citizens and permanent residents of Israel are obligated to perform military reserve duty for extended periods of time and are subject to being called to active duty at any time under emergency circumstances. In response to increased hostilities, there have been periods of significant call-ups of military reservists.

On October 7, 2023, a war between the terror organization Hamas and Israel began. This war has an impact on the Company's business operations. The Company has also suffered a negative impact continuing also in Q2 2024. There might be a potential positive effect in the medium to long term. The Company has experienced damages to its ability to function, affecting various aspects, including employees, supplies, imports, sales, and more.

While there are damages, it is still too early to fully assess the extent of their impact. It is possible that there will be additional call-ups in the future, which may include officers and key personnel of the Group's, which could disrupt business operations for a significant period of time.

Management's Discussion and Analysis

JUDICIAL AND LEGISLATIVE REFORMS IN ISRAEL

Israel is undergoing political and social instability relating to the judicial and legislative reforms proposed by the current government, creating certain instability and uncertainty. This instability which has a certain effect on the activity of the financial markets may cause material impact on the Groups' ability to operate in the Israeli market, which derives, among other, from: exposure to currency exchange rate and interest rate, reduced sales due to disruptive days and lower probability for capital investments.

on August 7, 2023, the Israeli ministry of health announced the anticipated medical cannabis regulatory reform (the **Reform**). The new regulations under the Reform might remove many of the heavy regulations in the sector, making medical cannabis more accessible to patients as well as boosting export, all of which may materially and positively impact the business, financial condition and results of operations of the Company, its subsidiaries and Focus. Due to the Israel-Hamas war, the anticipated implementation of the Reform, originally scheduled for December 29, 2023, has been postponed by three months.

On April 1, 2024, the Company announced the implementation of the medical cannabis regulatory reform in Israel on April 1st.

The Reform will be implemented in phases, as approved, and announced by the Israeli Ministry of Health. The key aspects of the initial phase, commencing today, April 1st, are as follows:

1. Change in the prescription process: patients with a wide range of diseases and medical conditions from Oncology to Parkinsons will no longer be required to obtain a license to receive medical cannabis. Patients will receive a prescription similar to those for other prescription medications. Pain and PTSD are not included in the Reform yet.
2. Medical cannabis will now be prescribed through the HMO's, Israel's public healthcare system: until the Reform, cannabis could not be prescribed through the HMO's which cover the majority of the Israeli population.
3. The number of prescribing physicians is expected to increase: as of today, HMO physicians, who are dully trained and certified within their field of expertise, can prescribe medical cannabis as a first line treatment, as opposed to a last resort, based on medical discretion for the approved indications.
4. The cost for prescription is anticipated to be reduced: the Ministry of Health limited the cost for a medical cannabis prescription.

For the full report published by the Ministry of Health see (in Hebrew)-https://www.health.gov.il/hozer/mmk152_2016.pdf.

CCAA PROCEEDINGS

On September 14, 2023, a CCAA Termination Order was granted by the Honourable Justice Osborne (upon service on the Service List of an executed certificate and the above CCAA Proceedings under the *Companies Creditors' Arrangement Act* and the Stay Period were terminated without any further act or formality. On September 29th, 2023, Trichome Financial Corp. filed (or was deemed to have filed) an assignment (or a bankruptcy order was made against Trichome Financial Corp.), and Goldhar & Associates Ltd., was appointed as trustee of the estate of the bankrupt by the official receiver (or the Court). The first meeting of creditors of the bankrupt was held on October 17th, 2023.

As a direct or indirect shareholder of the entities that make up the Trichome Group, the Company is subject to the priorities of other stakeholders in the CCAA proceedings and will likely realize no return in the restructure of the Trichome Group business.

Management's Discussion and Analysis

ENVIRONMENTAL RISKS

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

RISKS INHERENT IN THE AGRICULTURAL BUSINESS

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A may contain "forward-looking statements" or "forward-looking information," within the meaning of applicable Canadian and United States securities legislation (collectively referred to herein as "forward-looking statements"). All statements other than statements of fact may be deemed to be forward-looking statements, including statements with regard to expected financial performance, strategy and business conditions. The words "believe", "plan", "intend", "estimate", "expect", "anticipate", "continue", or "potential", and similar expressions, as well as future or conditional verbs such as "will", "should", "would", and "could" often identify forward-looking statements. These statements reflect management's current 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 statements is by its nature prospective and requires IM Cannabis to make certain assumptions and is subject to inherent risks and uncertainties. All forward-looking statements are provided as of the date of this MD&A. The Company does not undertake to update any such forward-looking statements whether as a result of new information, future events or otherwise, except as required by law.

Management's Discussion and Analysis

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 Company's intentions to expand the business, operations and potential activities of the Company.
- the Company's plans to expand its sales channels, distribution, delivery and storage capacity, and reach to medical cannabis patients.
- 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 competitive conditions of the industry, including the Company's ability to maintain or grow its market share and maintain its competitive advantages.
- statements relating to the Company's commitment to responsible growth and compliance with the strictest regulatory environments.
- the Company's focus on providing premium cannabis products to medical patients in the jurisdictions in which the Company conducts business and any other jurisdiction in which the Company may conduct business in the future.
- the Company's plans to amplify its commercial and brand power to become a global high-quality cannabis player.
- the Company's primary goal of sustainably increasing revenue in its core markets.
- the demand and momentum in the Company's Israeli and Germany operations.
- how the Company intends to position its brands.
- the efficiencies and synergies of the Company as a global organization with domestic expertise in Israel and Germany.
- expectations that providing high-quality, reliable supply to the Company's customers and patients will lead to recurring sales.
- expectations related to the Company's introduction of new Stock Keeping Unit ("SKUs")
- anticipated cost savings from the reorganization of the Company's and the completion thereof upon the timelines disclosed herein.
- geographic diversification and brand recognition and the growth of the Company's brands in the jurisdictions that the Company operates in or may expand to.
- expectations related to the Company's ability to address the ongoing needs and preferences of medical cannabis patients.
- the Company's retail presence, distribution capabilities and data-driven insights.
- the future impact of the Regulations Amendment regarding the transition reform from licenses to prescriptions for medical treatment of cannabis.
- the Company's continued partnerships with third party suppliers and partners and the benefits thereof.
- the Company's ability to achieve profitability in 2024.
- the number of patients in Israel licensed by the Israeli Ministry of Health ("MOH") to consume medical cannabis.
- expectations relating to the number of patients paying out-of-pocket for medical cannabis products in Germany.
- the anticipated decriminalization or legalization of adult-use recreational cannabis in Israel and Germany.
- expectations related to the demand and the ability of the Company to source premium and ultra-premium cannabis products exclusively and competition in this product segment.
- the anticipated impact of inflation and liquidity on the Company's performance.
- expectations with respect to the Company's operating budget and the assumptions related thereto.

Management's Discussion and Analysis

- expectations relating to the Company as a going concern and its ability to conduct business under the ordinary course of operations.
- expectations related to the collection the payment awarded in the Judgment and the chances of the claim advancing or the potential outcome of the Test Kits Appeal (as defined herein);
- the continued listing of the Company's Common Shares in the capital of the Company ("**Common Shares**") on the Nasdaq Stock Market ("**Nasdaq**") and Canadian Securities Exchange ("**CSE**");
- cannabis licensing in the jurisdictions in which the Company operates.
- the renewal and/or extension of the Company's licenses.
- the Company's anticipated operating cash requirements and future financing needs.
- the Company'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 Israel, particularly in the retail and distribution segments of the cannabis market.
- future expansion and growth opportunities for the Company in Germany and Europe and the timing of such.
- contractual obligations and commitments; and
- the Company completing the Potential Transaction with Kadimastem (each as defined herein).

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

- the Company has the ability to achieve its business objectives and milestones under the stated timelines.
- the Company will succeed in carrying out its business, strategies and operations.
- the Company will realize upon its intentions to expand the business, operations and potential activities of the Company.
- the Company will expand its sales channels, distribution, delivery and storage capacity, and reach to medical cannabis patients.
- the competitive conditions of the cannabis industry and the growth of medical or adult-use recreational cannabis in the jurisdictions in which the Company operates.
- the competitive conditions of the industry will be favourable to the Company, and the Company has the ability to maintain or grow its market share and maintain its competitive advantages.
- the Company will commit to responsible growth and compliance with the strictest regulatory environments.
- the Company will remain focused on providing premium cannabis products to medical patients in the jurisdictions in which the Company conducts business and any other jurisdiction in which the Company may conduct business in the future.
- the Company has the ability to amplify its commercial and brand power to become a global high-quality cannabis player.
- the Company will maintain its primary goal of sustainably increasing revenue in its core markets.
- the demand and momentum in the Company's Israeli and Germany operations will be favourable to the Company.
- the Company will carry out its plans to position its brands as stated.

Management's Discussion and Analysis

- the Company's Company has the ability to realize upon the stated efficiencies and synergies the Company as a global organization with domestic expertise in Israel and Germany.
- providing a high-quality, reliable supply to the Company's customers and patients will lead to recurring sales.
- the Company will introduce of new SKUs.
- the Company will realize the anticipated cost savings from the reorganization.
- the Company has the ability to achieve geographic diversification and brand recognition and the growth of the Company's brands in the jurisdictions that the Company operates in or may expand to.
- the Company's has the ability to address the ongoing needs and preferences of medical cannabis patients;
- the Company has the ability to realize upon its retail presence, distribution capabilities and data-driven insights.
- the future impact of the Regulations Amendment will be favourable to the Company.
- the Company will maintain its partnerships with third parties, suppliers and partners.
- the Company has the ability to achieve profitability in 2024;
- the accuracy of number of patients in Israel licensed by the MOH to consume medical cannabis.
- the accuracy of the number of patients paying out-of-pocket medical cannabis products in Germany.
- the anticipated decriminalization or legalization of adult-use recreational cannabis in Israel and Germany will occur.
- the Company has the ability to source premium and ultra-premium cannabis products exclusively and competition in this product segment.
- the anticipated impact of inflation and liquidity on the Company's performance will be as forecasted.
- the accuracy with respect to the Company's operating budget and the assumptions related thereto.
- the Company will remain as going concern.
- a favourable outcome with respect to the collection the payment awarded in the Judgment and the chances of the claim advancing or the potential outcome of the Test Kits Appeal.
- the Company's Common Shares will remain listed on the Nasdaq and the CSE.
- the Company's ability to maintain cannabis licensing in the jurisdictions in which the Company operates.
- the Company has the ability to obtain the renewal and/or extension of the Company's licenses.
- the Company has the ability to meet operating cash requirements and future financing needs.
- the Company will meet or surpass its expectations regarding its revenue, expenses, profit margins and operations.
- the Company will meet or surpass its expectations regarding Gross Margins, EBITDA and Adjusted EBITDA from the Company's operations.
- the Company will increase its revenue and margins in its Israeli medical cannabis market activities arising from its acquisitions.
- the Company has the ability to capitalize on future opportunities for the Company in Israel, particularly in the retail and distribution segments of the cannabis market.
- the Company will carry out its future expansion and growth opportunities for the Company in Germany and Europe and the timing of such.
- the Company will fulfill its contractual obligations and commitments; and
- the Company will complete the Proposed Transaction with Kadimastem.

Management's Discussion and Analysis

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

- the Company's inability to achieve its business objectives and milestones under the stated timelines.
- the Company's inability to carry out its business, strategies and operations.
- the Company's inability to realize upon its intentions to expand the business, operations and potential activities of the Company.
- the Company will not expand its sales channels, distribution, delivery and storage capacity, and reach to medical cannabis patients.
- the competitive conditions of the cannabis industry and the growth of medical or adult-use recreational cannabis markets will be unfavourable to the Company in the jurisdictions in which the Company operates.
- the competitive conditions of the industry will be unfavourable to the Company, and the Company's inability to maintain or grow its market share and maintain its competitive advantages.
- the Company will not commit to responsible growth and compliance with the strictest regulatory environments.
- the Company's inability to remain focused on providing premium cannabis products to medical patients in the jurisdictions in which the Company conducts business and any other jurisdiction in which the Company may conduct business in the future.
- the Company's inability to amplify its commercial and brand power to become a global high-quality cannabis player.
- the Company will not maintain its primary goal of sustainably increasing revenue in its core markets.
- the demand and momentum in the Company's Israeli and Germany operations will be unfavourable to the Company.
- the Company will not carry out its plans to position its brands as stated.
- the Company's inability to realize upon the stated efficiencies and synergies of the Company as a global organization with domestic expertise in Israel and Germany.
- providing a high-quality, reliable supply to the Company's customers and patients will not lead to recurring sales.
- the Company will not introduce of new SKUs.
- the Company's inability to realize upon the anticipated cost savings from the reorganization.
- the Company's inability to achieve geographic diversification and brand recognition and the growth of the Company's brands in the jurisdictions that the Company operates in or may expand to.
- the Company's inability to address the ongoing needs and preferences of medical cannabis patients.
- the Company's inability to realize upon its retail presence, distribution capabilities and data-driven insights.
- the future impact of the Regulations Amendment will be unfavourable to the Company.
- the Company will not maintain its partnerships with third party suppliers and partners.

Management's Discussion and Analysis

- the inaccuracy of number of patients in Israel licensed by the MOH to consume medical cannabis.
- the inaccuracy of the number of patients paying out-of-pocket for medical cannabis products in Germany.
- the anticipated decriminalization or legalization of adult-use recreational cannabis in Israel and Germany will not occur.
- the Company's ability to source premium and ultra-premium cannabis products exclusively and competition in this product segment.
- the anticipated impact of inflation and liquidity on the Company's performance will not be as forecasted.
- the inaccuracy with respect to the Company's operating budget and the assumptions related thereto.
- the Company will not remain as going concern.
- an unfavourable outcome of the negotiations or the Construction Proceedings.
- an unfavourable outcome with respect to the collection the payment awarded in the Judgment and the chances of the claim advancing or the potential outcome of the Appeal.
- the Company's Common Shares will not remain listed on the Nasdaq and the CSE.
- the Company's inability to maintain cannabis licensing in the jurisdictions in which the Company operates.
- the Company's inability to obtain the renewal and/or extension of the Company's licenses.
- the Company's inability to meet operating cash requirements and future financing needs.
- the Company will not meet or surpass its expectations regarding its revenue, expenses, profit margins and operations.
- the Company will not meet or surpass its expectations regarding Gross Margins, EBITDA and Adjusted EBITDA from the Company's operations.
- the Company will not increase its revenue and margins in its Israeli medical cannabis market activities arising from its acquisitions.
- the Company's ability to capitalize on future opportunities for the Company in Israel, particularly in the retail and distribution segments of the cannabis market.
- the Company will not carry out its future expansion and growth opportunities for the Company in Germany and Europe and the timing of such; and
- the Company will not fulfill its contractual obligations and commitments; and
- the Company will not complete the Proposed Transaction with Kadimastem.

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 and 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 statements 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 Annual Report under "*Risk Factors*", available on the Company's profile on SEDAR+ at www.sedarplus.ca and on EDGAR at www.sec.gov/edgar.

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

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's Annual Report, is available on the Company's profile on SEDAR+ at www.sedarplus.ca and on EDGAR at www.sec.gov/edgar.

Form 52-109F2
Certification of Interim Filings
Full Certificate

I, Uri Birenberg, the Chief Financial Officer of IM Cannabis Corp., certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of IM Cannabis Corp. (the “issuer”) for the interim period ended June 30, 2024.
 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).
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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, 2024 and ended on June 30, 2024 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: August 14, 2024

Uri Birenberg
Uri Birenberg
Chief Financial Officer

Form 52-109F2
Certification of Interim Filings
Full Certificate

I, Oren Shuster, the Chief Executive Officer of IM Cannabis Corp., certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of IM Cannabis Corp. (the “issuer”) for the interim period ended June 30, 2024.
 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 GAAPP.
 - 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).
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