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**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 November, 2021

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.

**INCORPORATION BY REFERENCE**

Exhibits 99.1 - 99.2 of this Form 6-K of IM Cannabis Corp. (the "Company") are hereby incorporated by reference into the Registration Statement on Form F-10 (File No. 333-254255) of the Company, as amended or supplemented.

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**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: November 24, 2021

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

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**EXHIBIT INDEX**

<a href="#"><u>99.1</u></a>	<a href="#"><u>Interim Consolidated Financial Statements for the three and six months ended September 30, 2021</u></a>
<a href="#"><u>99.2</u></a>	<a href="#"><u>Management's Discussion and Analysis for the three and six months ended September 30, 2021</u></a>
<a href="#"><u>99.3</u></a>	<a href="#"><u>Certification of Interim Filings by CFO dated November 15, 2021</u></a>
<a href="#"><u>99.4</u></a>	<a href="#"><u>Certification of Interim Filings by CEO dated November 15, 2021</u></a>

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**IM CANNABIS CORP.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF SEPTEMBER 30, 2021**

**UNAUDITED**

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**IM CANNABIS CORP.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF SEPTEMBER 30, 2021**  
**CANADIAN DOLLARS IN THOUSANDS**  
**UNAUDITED**

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## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian Dollars in thousands

	Note	September 30, 2021 <u>Unaudited</u>	December 31, 2020
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents		\$ 17,116	\$ 8,885
Restricted bank deposit		1	18
Trade receivables		16,143	5,501
Advances to suppliers		3,270	3,602
Other accounts receivable		10,396	689
Investments		1,019	-
Loans receivable		2,672	-
Biological assets	4	2,712	78
Inventories	5	<u>23,920</u>	<u>8,370</u>
		<u>77,249</u>	<u>27,143</u>
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment, net		29,387	5,532
Investments		2,341	2,341
Derivative assets		46	-
Right-of-use assets, net		17,190	935
Deferred tax assets		342	769
Intangible assets, net	3	28,631	1,092
Goodwill	3	<u>120,201</u>	<u>304</u>
		<u>198,138</u>	<u>10,973</u>
<b>Total assets</b>		<u>\$ 275,387</u>	<u>\$ 38,116</u>

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

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

Canadian Dollars in thousands

	Note	September 30, 2021 Unaudited	December 31, 2020
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Bank loans		\$ 5,806	\$ -
Trade payables		9,959	2,605
Other accounts payable and accrued expenses	3	11,074	3,497
Accrued purchase consideration	3	5,594	-
Current maturities of lease liabilities		1,248	167
		<u>33,681</u>	<u>6,269</u>
<b>NON-CURRENT LIABILITIES:</b>			
Warrants measured at fair value	6	6,524	16,540
Lease liabilities		16,918	823
Long term loans		378	-
Employee benefit liabilities, net		437	371
Deferred tax liability, net		6,470	1,503
		<u>30,727</u>	<u>19,237</u>
<b>Total liabilities</b>		<u>64,408</u>	<u>25,506</u>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:</b>			
Share capital and premium	7	235,940	37,040
Translation reserve		1,165	1,229
Reserve from share-based payment transactions		10,342	5,829
Retained earnings (accumulated deficit)		(37,870)	(33,001)
<b>Total equity attributable to equity holders of the Company</b>		<u>209,577</u>	<u>11,097</u>
<b>Non-controlling interests</b>		<u>1,402</u>	<u>1,513</u>
<b>Total equity</b>		<u>210,979</u>	<u>12,610</u>
<b>Total liabilities and equity</b>		<u>\$ 275,387</u>	<u>\$ 38,116</u>

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

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

Canadian Dollars in thousands

	Nine months ended September 30,		Three months ended September 30,	
	2021	2020	2021	2020
	Unaudited			
Revenues	\$ 34,272	\$ 10,990	\$ 14,393	\$ 5,893
Cost of revenues	26,163	4,972	11,513	2,531
Gross profit before fair value adjustments	8,109	6,018	2,880	3,362
Fair value adjustments:				
Unrealized change in fair value of biological assets	5,484	9,042	1,123	2,287
Realized fair value adjustments on inventory sold in the period	(7,608)	(5,099)	(2,478)	(2,268)
Total fair value adjustments	(2,124)	3,943	(1,355)	19
Gross profit	5,985	9,961	1,525	3,381
General and administrative expenses	22,634	7,223	10,246	2,197
Selling and marketing expenses	4,654	2,334	2,169	1,150
Research and development expenses	10	135	4	1
Share-based compensation	5,354	2,131	3,351	704
Total operating expenses	32,652	11,823	15,770	4,052
Operating loss	(26,667)	(1,862)	(14,245)	(671)
Finance income	21,617	427	8,224	1,186
Finance expense	(805)	(6,402)	-	-
Finance income (expenses), net	20,812	(5,975)	8,224	1,186
Income (loss) before income taxes	(5,855)	(7,837)	(6,021)	515
Income tax expense (benefit)	175	921	(365)	(223)
Net income (loss)	(6,030)	(8,758)	(5,656)	738
Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:				
Re-measurement gain on defined benefit plans	-	(32)	-	1
Exchange differences on translation to presentation currency	(350)	639	888	(399)
Total other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods	(350)	607	888	(398)
Other comprehensive income (loss) that will be reclassified to profit or loss in subsequent periods:				
Adjustments arising from translating financial statements of foreign operation	288	(95)	29	(35)
Total other comprehensive income (loss) that will be reclassified to profit or loss in subsequent periods	288	(95)	29	(35)
Total other comprehensive income (loss)	\$ (62)	\$ 512	\$ 917	\$ (433)
Total comprehensive income (loss)	\$ (6,092)	\$ (8,246)	\$ (4,739)	\$ 305

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



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

	Note	Nine months ended September 30,		Three months ended September 30,	
		2021	2020	2021	2020
		Unaudited			
Net income (loss) attributable to:					
Equity holders of the Company		(4,869)	(9,340)	(4,285)	656
Non-controlling interests		(1,161)	582	(1,371)	82
		<u>(6,030)</u>	<u>(8,758)</u>	<u>(5,656)</u>	<u>738</u>
Total comprehensive net income (loss) attributable to:					
Equity holders of the Company		(4,933)	(8,927)	(3,359)	228
Non-controlling interests		(1,159)	681	(1,380)	77
		<u>\$ (6,092)</u>	<u>\$ (8,246)</u>	<u>\$ (4,739)</u>	<u>\$ 305</u>
Loss per share attributable to equity holders of the Company:					
Basic loss per share (in CAD):	9	\$ (0.10)	\$ (0.06)	\$ (0.06)	\$ 0.00
Diluted loss per share (in CAD):	9	<u>\$ (0.51)</u>	<u>\$ (0.06)</u>	<u>\$ (0.18)</u>	<u>\$ 0.00</u>

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

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Canadian Dollars in thousands

	Attributable to equity holders of the Company				Total	Non-controlling interests	Total equity
	Share capital and premium	Reserve for share-based payment transactions	Translation reserve	Retained earnings (accumulated deficit)			
Balance as of January 1, 2021	\$ 37,040	\$ 5,829	\$ 1,229	\$ (33,001)	\$ 11,097	\$ 1,513	\$ 12,610
Issuance of shares related to Trichome acquisition	100,017	-	-	-	100,017	-	100,017
Issuance of shares related to MYM acquisition	63,592	-	-	-	63,592	-	63,592
Issuance of shares, net of approximately \$2,700 issuance costs	28,131	-	-	-	28,131	-	28,131
Issuance of shares related to acquisitions in Israel	2,036	-	-	-	2,036	1,048	3,084
Exercise of warrants and compensation options (see Note 7)	4,149	-	-	-	4,149	-	4,149
Exercise of options (see Note 7)	940	(806)	-	-	134	-	134
Share based payment	-	5,354	-	-	5,354	-	5,354
Expired options	35	(35)	-	-	-	-	-
Net loss	-	-	-	(4,869)	(4,869)	(1,161)	(6,030)
Other comprehensive income (loss)	-	-	(64)	-	(64)	2	(62)
Balance as of September 30, 2021 (Unaudited)	<u>\$ 235,940</u>	<u>\$ 10,342</u>	<u>\$ 1,165</u>	<u>\$ (37,870)</u>	<u>\$ 209,577</u>	<u>\$ 1,402</u>	<u>\$ 210,979</u>
Balance as of January 1, 2020	\$ 25,947	\$ 2,677	\$ 309	\$ (4,273)	\$ 24,660	\$ 1,449	\$ 26,109
Exercise of warrants and compensation options (see Note 7)	10,178	-	-	-	10,178	-	10,178
Exercise of options (see Note 7)	199	(80)	-	-	119	-	119
Share based payment	-	2,131	-	-	2,131	-	2,131
Expired options	6	(8)	-	-	(2)	-	(2)
Net income (loss)	-	-	-	(9,340)	(9,340)	582	(8,758)
Other comprehensive income (loss)	-	-	445	(32)	413	99	512
Balance as of September 30, 2020 (Unaudited)	<u>\$ 36,330</u>	<u>\$ 4,720</u>	<u>\$ 754</u>	<u>\$ (13,645)</u>	<u>\$ 28,159</u>	<u>\$ 2,130</u>	<u>\$ 30,289</u>

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

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Canadian Dollars in thousands

	Nine months ended	
	September 30,	
	2021	2020
	Unaudited	
Cash flows from operating activities:		
Net loss for the period	\$ (6,030)	\$ (8,758)
Adjustments for non-cash items:		
Unrealized gain on changes in fair value of biological assets	(5,484)	(9,042)
Fair value adjustment on sale of inventory	7,608	5,099
Fair value adjustment of warrants and derivative assets measured at fair value	(21,169)	6,048
Depreciation of property, plant and equipment	1,998	493
Amortization of intangible assets	578	23
Depreciation of right-of-use assets	1,028	156
Finance expenses, net	357	(73)
Changes in employee benefit liabilities, net	66	41
Deferred tax expense, net	(18)	946
Share-based payment	5,354	2,131
Share-based acquisition costs related to business combination	1,301	-
Non-cash interest income on loans receivable	124	-
Impairment of other accounts receivable	419	-
	<u>(7,838)</u>	<u>5,822</u>
Changes in working capital:		
Increase in trade receivables, net	(7,610)	(3,266)
Increase in other accounts receivable	(4,521)	(874)
Decrease in biological assets, net of fair value adjustments	3,636	6,181
Increase in inventories, net of fair value adjustments	(14,016)	(7,804)
Increase in trade payables	2,994	1,744
Increase (decrease) in other accounts payable and accrued expenses	<u>(5,144)</u>	<u>33</u>
	<u>(24,661)</u>	<u>(3,986)</u>
Taxes paid	<u>(605)</u>	<u>(462)</u>
Net cash used in operating activities	<u>(39,134)</u>	<u>(7,384)</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	(3,187)	(1,780)
Proceeds from loan receivables	7,796	-
Purchase of intangible assets	(5)	(94)
Acquisition of businesses, net of cash acquired	(6,856)	-
Proceeds from (investments in) financial assets	305	(1,345)
Proceeds from (investments in) restricted bank deposit	17	(18)
Net cash used in investing activities	<u>(1,930)</u>	<u>(3,237)</u>

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

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Canadian Dollars in thousands

	Nine months ended	
	September 30,	
	2021	2020
	Unaudited	
Cash flow from financing activities:		
Proceeds from exercise of warrants	\$ 3,538	\$ 6,305
Proceeds from exercise of options	134	119
Proceeds from issuance of share capital, net of issuance costs	28,131	-
Proceeds from issuance of warrants	11,222	-
Repayment of lease liability	(348)	(135)
Payment of lease liability interest	(913)	(51)
Proceeds from bank loans	4,174	-
Net cash provided by financing activities	<u>45,938</u>	<u>6,238</u>
Effect of foreign exchange on cash and cash equivalents	<u>3,357</u>	<u>194</u>
Increase (decrease) in cash and cash equivalents	8,231	(4,189)
Cash and cash equivalents at beginning of the period	<u>8,885</u>	<u>13,926</u>
Cash and cash equivalents at end of the period	<u>\$ 17,116</u>	<u>\$ 9,737</u>
Supplemental disclosure of non-cash activities:		
Additions to right-of-use assets and corresponding lease liability	<u>\$ 1,599</u>	<u>\$ 107</u>

Schedule A - Acquisition of TFC:

The subsidiary's assets and liabilities at date of acquisition:	
Working capital (excluding cash and cash equivalents)	\$ 9,927
Investments	319
Property, plant and equipment	15,193
Right of use assets	15,037
Lease liability	(15,037)
Intangible assets	6,458
Goodwill	66,769
Common shares issued upon the acquisition	(99,028)
	<u>\$ (362)</u>

Schedule B - Acquisition of Panaxia:

The assets and liabilities at date of acquisition:	
Inventory	\$ 19
Investments	958
Property, plant and equipment	88
Goodwill and intangible assets	5,895
Accrued purchase consideration liability	(4,139)
	<u>\$ 2,821</u>

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

Canadian Dollars in thousands

## Schedule C - Acquisition of MYM:

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

Working capital (excluding cash and cash equivalents)	\$	3,453
Property, plant and equipment and right of use assets		6,735
Lease liability		(873)
Deferred tax liability		(4,558)
Intangible assets		17,200
Goodwill		41,192
Common shares issued upon the acquisition		<u>(63,280)</u>
	<u>\$</u>	<u>(131)</u>

## Schedule D - Acquisition of Pharm Yarak:

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

Working capital (excluding cash and cash equivalents)	\$	(646)
Accrued purchase consideration liability		(1,345)
Property, plant and equipment		1,145
Long-term loans		(1,042)
Intangible assets		1,544
Deferred tax liability		(355)
Goodwill		<u>3,820</u>
	<u>\$</u>	<u>3,121</u>

## Schedule E - Acquisition of Vironna:

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

Working capital (excluding cash and cash equivalents)	\$	198
Accrued purchase consideration liability		(2,146)
Property, plant and equipment		210
Intangible assets		2,180
Deferred tax liability		(502)
Goodwill		2,515
Non-controlling interest		<u>(1,048)</u>
	<u>\$</u>	<u>1,407</u>

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

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)****Canadian Dollars in thousands, except share and per share data**

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**NOTE 1: - GENERAL**

## a. Corporate information:

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

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

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

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

The Company, its subsidiaries and Focus (collectively: the "Group"), operate in one reporting segment. The majority of the Group's revenues are generated from sales of medical cannabis products to customers in Israel and recreational cannabis in Canada. The remaining revenues are generated from sales of medical cannabis, as well as other products, to customers in Germany. The Company and its subsidiaries do not engage in any U.S. cannabis-related activities as defined in Canadian Securities Administrators Staff Notice 51-352.

These financial statements have been prepared in a condensed format as of September 30, 2021, and for the nine and three months then ended (the "condensed interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2020, and for the year then ended and accompanying notes (the "annual consolidated financial statements").

*COVID-19:*

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

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)****Canadian Dollars in thousands, except share and per share data**

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**NOTE 1: - GENERAL (Cont.)**

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

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

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

*Liquidity and capital resources:*

On May 10, 2021, the Company completed an overnight marketed offering (the "Offering") of 6,086,956 Common Shares (each an "Offered Share") at a price of US\$5.75 per Offered Share for aggregate gross proceeds of approximately US\$35 million (approximately \$42,000) (see Note 7b).

As of September 30, 2021, the Company's cash position (cash and cash equivalents) totaled \$17,116. The Company's current operating plan includes various assumptions concerning the level and timing of cash receipts from sales and cash outlays for operating expenses and capital expenditures. Based on the operating plan, management and the board of directors of the Company expect that the Group will have sufficient resources to meet its obligations and continue its operation in the foreseeable future.

- b. Approval of interim condensed consolidated financial statements:

These interim condensed consolidated financial statements of the Company were authorized for issue by the board of directors on November 15, 2021

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)****Canadian Dollars in thousands, except share and per share data**

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**NOTE 1: - GENERAL (Cont.)**

## c. Strategic developments:

1. On March 1, 2021, the Company's Common Shares commenced trading on NASDAQ under the ticker symbol "IMCC".
2. On March 8, 2021, the Company announced that Focus signed a multi-year supply agreement with GTEC Holdings Ltd. ("GTEC"), a Canadian licensed producer of handcrafted and high-quality cannabis (the "GTEC Agreement"). According to the GTEC Agreement, Focus will import GTEC's high-THC medical cannabis inflorescence into Israel to be sold under the IMC brand. With the arrival of these commercial shipments, the Company will launch a new category of imported premium indoor medical cannabis products under its well-established brand.

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

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

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



**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)****Canadian Dollars in thousands, except share and per share data**

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**NOTE 1: - GENERAL (Cont.)**

4. On March 12, 2021, Adjupharm entered into a supply agreement with Northern Green Canada Inc. ("NGC") (the "NGC Supply Agreement"). Under the terms of the NGC Supply Agreement, NGC will provide Adjupharm with three new strains of medical cannabis products, to be distributed under the IMC brand to German pharmacies pursuant to Adjupharm's distribution agreements with its German distribution partners. Shipments from NGC commenced in October 2021.
5. On March 18, 2021, the Company acquired all of Trichome Financial Corp.'s ("Trichome" or "TFC") issued and outstanding shares (the "Trichome Shares") and closed the Trichome transaction (the "Trichome Transaction") that was previously announced on December 30, 2020. Pursuant to the terms of the Trichome Transaction, former holders of Trichome Shares and former holders of Trichome convertible instruments (the "Trichome Securityholders") received 0.24525 of a Common Share for each Trichome Share held and each in-the-money convertible instrument of Trichome. As a result of the Trichome Transaction, a total of 10,104,901 Common Shares were issued to the Trichome Securityholders. In addition, 100,916 Common Shares were issued to financial advisors for advisory fees in connection with the Trichome Transaction (see Note 3).
6. On March 29, 2021, Adjupharm entered into a supply agreement with MediPharm Labs Corp. ("MediPharm Labs") for certain medical cannabis extract products to be delivered by MediPharm Labs over an initial two-year term with an automatic two-year extension period. Shipments from MediPharm Labs commenced in October 2021.
7. On March 30, 2021, Zur Rose Pharma GmbH ("Zur Rose") and the Company entered into a termination settlement agreement in connection with the sales agreements announced in July 2020 according to Zur Rose's request, and under which Adjupharm received a termination fee. According to the termination agreement, no inventory will be transferred from Zur Rose to Adjupharm or vice versa.
8. During March 2021, Adjupharm entered into two supply agreements with supply partners in China, under which Adjupharm shall buy COVID-19 rapid antigen test kits. Concurrently, Adjupharm entered into several resale agreements with reseller partners in Germany, under which Adjupharm shall sell the COVID-19 antigen test kits, to be distributed to pharmacies and retailers in Germany (see Note 8).

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)****Canadian Dollars in thousands, except share and per share data**

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**NOTE 1: - GENERAL (Cont.)**

9. On April 30, 2021, the Company announced that its wholly-owned Israeli subsidiary, IMC Holdings, signed a definitive agreement (the “Panaxia Agreement”) with Panaxia Pharmaceutical Industries Israel Ltd. and Panaxia Logistics Ltd. (collectively “Panaxia”) (the “Panaxia Transaction”). Pursuant to the Panaxia Agreement, IMC Holdings will acquire Panaxia’s trading house license and in-house pharmacy activities, certain distribution assets and an option to purchase a pharmacy with licenses to sell medical cannabis to patients, for an aggregate purchase price of NIS 18.7 million (approximately \$7,000), comprised of NIS 7.6 million (approximately \$2,800) in cash and NIS 11.1 million (approximately \$4,200) in Common Shares (the “Panaxia Consideration Shares”). NIS 7.6 million (approximately \$2,900) of the cash consideration was paid. The Common Shares will be issued in installments within several months of the transaction closing.

Panaxia Transaction will be finalized in two stages, with an option of a third stage. Upon the initial closing, on May 30, 2021, all online-related activities and intellectual property will be transferred to IMC Holdings. The second stage, which is subject to MOH approval, is expected to occur in the beginning of 2022. The second stage requires that Panaxia will transfer its IMC-GDP license, which allows the holder to store and distribute medical cannabis in Israel, to IMC Holdings or its subsidiary (the “Panaxia IMC-GDP License”). Panaxia Transaction includes an option to acquire Panaxia’s pharmacy (the “Panaxia Option”), including licenses to dispense and sell products to cannabis patients (the “Panaxia Pharmacy Licenses”) for additional payment in the amount equal to the medical cannabis inventory of the pharmacy at the time of exercise, which will become effective on February 15, 2022.

The Panaxia Agreement provides the Company with the power to unilaterally make all decisions regarding the financial and operating policies of all of the abovementioned acquired assets and activities and the rights to obtain all economic benefits from those assets and activities. Accordingly, the Company has concluded that it exercises control over the acquired assets and activities as of the date of the definitive agreement, which is the date from which the assets are included in these consolidated financial statements.

10. On July 9, 2021, the Company acquired all the issued and outstanding shares of MYM Nutraceuticals Inc. and closed the MYM transaction (the “MYM Transaction”). The Company acquired MYM’s licensed producer subsidiary Highland Grow Inc., pursuant to a plan of arrangement to be completed under the Business Corporations Act in British Columbia. MYM operates two licensed, craft cultivation facilities in Canada; SublimeCulture Inc. in Laval, Quebec, and Highland Grow Inc., in Antigonish, Nova Scotia. MYM’s flagship brand, Highland, is an ultra-premium brand sold in most provinces throughout Canada. Under the terms of the MYM Transaction, the shareholders of MYM will receive 0.022 Common Shares of IMCC for each common share of MYM. As a result of the MYM transaction, a total of 10,073,437 Common shares were issued to the MYM former shareholders and financial advisors.

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)****Canadian Dollars in thousands, except share and per share data**

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**NOTE 1: - GENERAL (Cont.)**

11. On July 28, 2021, IMC Holdings entered into a definitive agreement to acquire all of the issued and outstanding share of R.A. Yarok Pharm Ltd., Rosen High Way Ltd. and High Way Shinua Ltd. (collectively "Pharm Yarok Group"). The aggregate consideration for the Pharm Yarok Group acquisition is approximately NIS 11,900 (\$4,600), of which approximately NIS 3,500 (\$1,300) shall be invested in the Company at closing in consideration for Common Shares by the shareholders of Pharm Yarok Group in the company at closing in consideration for Common Shares. The closing of the Pharm Yarok Group acquisition is conditional upon receipt of all requisite approvals, including from the MOH. Pharm Yarok Group is a leading medical cannabis pharmacy and trading company located in central Israel, Rosen High Way, a trade and distribution center providing medical cannabis storage, distribution services and logistics solutions for cannabis companies and pharmacies in Israel and HW Shinua, an applicant for a medical cannabis transportation license from the IMCU, the receipt of which would permit HW Shinua to transport large quantities of medical cannabis to and from Pharm Yarok's pharmacy and Rosen High Way's distribution center and to and from third parties in the medical cannabis sector, including medical cannabis growing facilities, pharmacies, manufacturers and distribution centers across Israel.

The definitive agreement provides the Company with the power to unilaterally make all decisions regarding the financial and operating policies of the Pharm Yarok Group and the rights to obtain all related economic benefits. Accordingly, the Company has concluded that it exercises control over the Pharm Yarok Group as of the date of the definitive agreement, which is the date from which the accounts of the Pharm Yarok Group are included in these consolidated financial statements.

12. On August 16, 2021, IMC Holdings signed a definitive agreement to acquire 51% of the outstanding ordinary shares of Revoly Trading and Marketing Ltd. ("Vironna") for a total consideration of approximately NIS 8,500 (\$3,300), of which approximately NIS 5,000 (\$1,950) in cash and NIS 3,500 (\$1,350) is in Common Shares of IMCC to be issued at closing of Vironna transaction. In addition, the Company will pay the former stockholders additional consideration with regards to working capital in the amount of NIS 800 (\$300). The closing is conditional upon receipt of all requisite approvals, including from the MOH. Vironna is a leading pharmacy licensed to dispense and sell medical cannabis to licensed medical cannabis patients, located in central Israel and is one of the leading pharmacies in serving patients pertaining to the Arab population in Israel.

The definitive agreement provides the Company with the power to unilaterally make all decisions regarding the financial and operating policies of Vironna and the rights to obtain all related economic benefits. Accordingly, the Company has concluded that it exercises control over Vironna as of the date of the definitive agreement, which is the date from which the accounts of Vironna are included in these consolidated financial statements.

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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Canadian Dollars in thousands, except share and per share data

**NOTE 1: - GENERAL (Cont.)**

d. Definitions:

In these financial statements:

The Company, or IMCC - IM Cannabis Corp.

The Group - IM Cannabis Corp., its Subsidiaries and Focus

Subsidiaries - Companies that are controlled by the Company (as defined in IFRS 10) and whose accounts are consolidated with those of the Company

CAD or \$ - Canadian Dollar

NIS - New Israeli Shekel

USD or US\$ - United States Dollar

EURO or € - Euro

**NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES**

a. Basis of presentation and measurement:

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

The interim condensed consolidated financial statements are presented in Canadian dollars and are prepared in accordance with the same accounting policies, described in the Company's annual consolidated financial statements.

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.

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)****Canadian Dollars in thousands, except share and per share data**

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

- c. Disclosure of new standards in the period prior to their adoption:

*Amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors":*

In February 2021, the IASB issued an amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors" (the "Amendment"), in which it introduces a new definition of "accounting estimates".

Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The Amendment clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

The Amendment is to be applied prospectively for annual reporting periods beginning on or after January 1, 2023 and is applicable to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

*Covid-19-Related Rent Concessions beyond September 30, 2021, Amendments to IFRS 16*

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16, "Leases", the amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, on March 31, 2021, the IASB extended the period of application of the practical expedient to June 30, 2022. The amendment applies to annual reporting periods beginning on or after April 1, 2021. However, the Group is assessing whether it will apply the practical expedient if it receives rent concessions within allowed period of application.

*Amendments to IAS 1: Classification of Liabilities as Current or Non-current*

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)****Canadian Dollars in thousands, except share and per share data**

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

*Reference to the Conceptual Framework – Amendments to IFRS 3*

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or

IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

*Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16*

In May 2020, the IASB issued Property, Plant and Equipment - Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

*IAS 41 Agriculture - Taxation in fair value measurements*

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)***Amendment to IAS 12, "Income Taxes"*

In May 2021, the IASB issued an amendment to IAS 12, "Income Taxes" ("IAS 12"), which narrows the scope of the initial recognition exception under IAS 12.15 and IAS 12.24 ("the Amendment").

According to the recognition guidelines of deferred tax assets and liabilities, IAS 12 excludes recognition of deferred tax assets and liabilities in respect of certain temporary differences arising from the initial recognition of certain transactions. This exception is referred to as the "initial recognition exception". The Amendment narrows the scope of the initial recognition exception and clarifies that it does not apply to the recognition of deferred tax assets and liabilities arising from transactions that give rise to equal taxable and deductible temporary differences, even if they meet the other criteria of the initial recognition exception.

The Amendment is to be applied for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. In relation to leases and decommissioning obligations, the Amendment is to be applied commencing from the earliest reporting period presented in the financial statements in which the Amendment is initially applied. The cumulative effect of the initial application of the Amendment should be recognized as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at that date.

The Company estimates that the initial application of the Amendment is not expected to have a material impact on its financial statements. The amendments are not expected to have a material impact on the Company.

*Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2*

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 3: - BUSINESS COMBINATION***Trichome Financial Corp.*

On March 18, 2021, the Company acquired Trichome Financial Corp. ("Trichome" or "TFC"), a Canadian adult-use recreational cannabis producer (the "Trichome Transaction").

The Trichome Transaction was completed pursuant to the terms and subject to the conditions of arrangement agreement dated December 30, 2020 (the "Arrangement Agreement"), whereby the Company agreed to acquire all of the issued and outstanding Trichome Shares under a statutory plan of arrangement under the *Business Corporations Act* (Ontario) ("OBCA"). As a result of the Trichome Transaction, the businesses of IMCC and Trichome have been combined.

In accordance with the terms of the Arrangement Agreement, former holders of Trichome Shares received 0.24525 IMC Common Shares for each Trichome Share previously held (the "Exchange Ratio") and former holders of Trichome in-the-money convertible instruments received a net payment of IMC Shares based on the Exchange Ratio (the "Consideration").

Upon completion of the Trichome Transaction, the total Consideration paid to former holders of Trichome Shares and in-the-money convertible instruments equaled to the issuance of 10,104,901 Common Shares, valued at approximately \$99,028 at the market price per share of \$9.8 on the date of the acquisition. The terms of the Trichome Transaction, including the Consideration, are the result of arm's length negotiations between the Company and Trichome. The results of operations of Trichome were consolidated in the Company's interim consolidated financial statements commencing on the date of acquisition.

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



**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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Canadian Dollars in thousands, except share and per share data

**NOTE 3: - BUSINESS COMBINATION (Cont.)**

	<u>Fair value</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 362
Trade and other receivables	3,842
Indemnification asset *)	1,886
Biological assets	785
Inventory	3,883
Loan receivable	8,470
Property, plant and equipment	15,193
Derivative assets	114
Right of use assets	15,037
Investments	319
Intangible assets	<u>6,458</u>
<b>Total identifiable assets</b>	<u><b>56,349</b></u>
<b>Liabilities:</b>	
Trade and other payables *)	(9,053)
Lease liability	<u>(15,037)</u>
<b>Total identifiable liabilities</b>	<u><b>(24,090)</b></u>
<b>Total identifiable assets, net</b>	32,259
<b>Goodwill arising on acquisition</b>	<u><b>66,769</b></u>
<b>Total purchase price</b>	<u><u><b>\$ 99,028</b></u></u>

\*) Upon acquisition, other payables of Trichome include approximately \$1,886 to settle withholding tax liabilities to Canada Revenue Agency ("CRA"), with a corresponding indemnification asset comprised of 215,000 IMCC's Common Shares withheld to cover the tax liabilities. In addition, with connection with the Trichome Transaction, certain directors and officers of Trichome and TJAC agreed to indemnify and hold harmless the Company, Trichome, and TJAC against 75% of the withholding tax liabilities to CRA. Each indemnifying director or officer agreed to indemnify for: (a) 75% of such liability that is on account of such director or officer's personal Canadian income tax liability, plus (b) jointly and severally indemnify 75% of any liability for penalties and interest in connection with the withholding tax liabilities to CRA (other than penalties and interest included in (a)). In the nine months period ended September 30, 2021, the Company recorded an impairment loss of the indemnification asset and penalty and interest expenses in the aggregate amount of \$403, included in the general and administrative expenses.

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 3: - BUSINESS COMBINATION (Cont.)**

Had the Trichome Transaction occurred on January 1, 2021, the Company's proforma results for the nine months ended September 30, 2021, would have been as follows:

	<b>Proforma profit or loss for the nine months ended September 30, 2021</b>
Net revenues	\$ 35,535
Net loss	\$ (12,884)

These proforma results are based on estimates and assumptions, which the Company believes are reasonable. They are not necessarily the results that would have been realized had the Company and TFC been a combined company during the period presented and are not necessarily indicative of the Company's consolidated results of operations in future periods. The proforma results include adjustments related to purchase accounting, primarily amortization of intangible assets, depreciation related to the excess of fair value over cost attributable to purchased property, plant and equipment and elimination of inter-company transactions.

On March 18, 2021, 700,000 options were granted to Trichome's employees under the 2018 Plan (see Note 7).

*MYM Nutraceuticals Inc.*

On July 9, 2021, IMCC through Trichome, completed the acquisition of MYM Nutraceuticals (the "MYM"). MYM is a Canadian cultivator, processor, and distributor of premium cannabis via its two wholly owned subsidiaries; SublimeCulture Inc. ("Sublime") near Montreal, Quebec, and Highland Grow Inc. ("Highland"), in Antigonish, Nova Scotia. MYM's flagship brand, Highland, is an ultra-premium brand sold in most provinces throughout Canada.

The Company acquired all the issued and outstanding shares of MYM. The Company acquired MYM's licensed producer subsidiary Highland Grow Inc., pursuant to a plan of arrangement to be completed under the Business Corporations Act in British Columbia. Under the terms of the MYM Transaction, the shareholders of MYM will receive 0.022 Common Shares of IMCC for each common share of MYM. As a result of the MYM transaction, a total of 10,073,437 Common shares were issued to the MYM former shareholders and financial advisors, resulting in former MYM shareholders holding approximately 15% of the total number of issued and outstanding Common Shares immediately after closing.

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

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 3: - BUSINESS COMBINATION (Cont.)**

The following table summarizes the fair value of the identifiable assets acquired and liabilities assumed on the acquisition date, based on preliminary purchase price allocation study:

	<u>Fair value</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 131
Trade and other receivables	2,445
Biological assets	63
Inventory	4,180
Loan receivable	2,122
Property, plant and equipment	6,105
Right of use assets	630
Intangible assets	<u>17,200</u>
<b>Total identifiable assets</b>	<u>32,876</u>
<b>Liabilities:</b>	
Trade and other payables (*)	(4,442)
Bank loan	(915)
Lease liability	(873)
Deferred tax liability	<u>(4,558)</u>
<b>Total identifiable liabilities</b>	<u>(10,788)</u>
<b>Total identifiable assets, net</b>	22,088
Goodwill arising on acquisition	<u>41,192</u>
<b>Total purchase price</b>	<u>\$ 63,280</u>

\*) Acquisition costs of Trichome and MYM include the issuance of 100,916 and 49,802 Common Shares, respectively, valued at \$989 and \$312, respectively, to financial advisors for advisory fees in connection with the Trichome and MYM Transactions.

The Company amortizes its intangible assets on a straight-line basis over 5-12 years.

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

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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Canadian Dollars in thousands, except share and per share data

**NOTE 3: - BUSINESS COMBINATION (Cont.)**

Had the acquisition of MYM occurred on January 1, 2021, the Company's proforma results for the nine months ended September 30, 2021, would have been as follows:

	<b>Proforma profit or loss for the nine months ended September 30, 2021</b>
Net revenues	\$ 41,611
Net loss	\$ (7,644)

These proforma results are based on estimates and assumptions, which the Company believes are reasonable. They are not necessarily the results that would have been realized had the Company and MYM been a combined company during the period presented and are not necessarily indicative of the Company's consolidated results of operations in future periods. The proforma results include adjustments related to purchase accounting, primarily amortization of intangible assets, depreciation related to the excess of fair value over cost attributable to purchased property, plant and equipment and elimination of inter-company transactions.

*Panaxia's Assets and Operations*

On May 30, 2021, the Company acquired all Panaxia's online-related activities and intellectual property. The aggregate purchase price of NIS 18.7 million (approximately \$7,000), comprised of NIS 7.6 million (approximately \$2,800) in cash and NIS 11.1 million (approximately \$4,200) in Common Shares (the "Panaxia Consideration Shares"). NIS 5.6 million (approximately \$2,900) of the cash consideration was paid during the nine months ended September 30, 2021. The amount is non-cancellable and deemed as final.

On July 30, 2021, in connection with the Panaxia Transaction, the Company issued the first installment of 142,007 Consideration Shares at a price of US\$5.009, representing an aggregate value equal to approximately US\$711 thousand (approximately \$889).

On September 1, 2021, the Company issued the second installment of 246,007 Consideration Shares at a price of US\$3.68 per Panaxia Consideration Share, representing an aggregate value equal to approximately US\$905 thousand (approximately \$1,145), with up to three additional installments. The next three additional installments will be issued on the last trading day of each of the next three months. The last installment will be issued upon the later of (i) four months from the issuance of the first installment of Consideration Shares; or (ii) the second closing of the Panaxia Transaction, which is subject to the approval of the MOH.

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**NOTE 3: - BUSINESS COMBINATION (Cont.)**

The acquisition is accounted for under IFRS 3 as a business combination. Accordingly, the Company recognized the fair value of the assets acquired and liabilities assumed in the business combination based on a preliminary valuation study prepared by an external valuation specialist. The following table summarizes the fair value of the identifiable assets acquired and liabilities assumed on the acquisition date, based on preliminary purchase price allocation study:

	<u>Fair value</u>
Assets:	
Inventory	\$ 19
Investments *)	958
Property, plant and equipment	88
Intangible assets	725
Goodwill	<u>5,170</u>
Total purchase price	<u>\$ 6,960</u>

- \*) As part of the acquisition, the Company purchased an option to purchase the Panaxia pharmacy, including cannabis-related licenses (see Note 1 (9)). As the exercise price of the option relates only to the medical cannabis inventory at the date of exercise, the Company has allocated \$958 of the non-cancellable purchase price to effectively reflect the Company's advance payment for the estimated fair value of the licenses and other assets of the Panaxia pharmacy that will be acquired upon exercise of the option.

The goodwill arising on acquisition is attributed to the expected benefits from the synergies of the combination of the activities of the Company and Panaxia's acquired assets.

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 3: - BUSINESS COMBINATION (Cont.)**

*Pharm Yarok pharmacy*

On July 28, 2021, IMC Holdings entered into a definitive agreement to acquire all of the issued and outstanding share of R.A. Yarok Pharm Ltd., Rosen High Way Ltd. and High Way Shinua Ltd. (collectively "Pharm Yarok Group"). The aggregate consideration for the Pharm Yarok Group acquisition is approximately NIS 11,900 (\$4,600), of which approximately NIS 3,500 (\$1,300) shall be invested by the shareholders of Pharm Yarok Group in the Company at closing in consideration for Common Shares. The closing of the Pharm Yarok Group acquisition is conditional upon receipt of all requisite approvals, including from the MOH.

The following table summarizes the fair value of the identifiable assets acquired and liabilities assumed on the acquisition date, based on preliminary purchase price allocation study:

	<u>Fair value</u>
<b>Assets:</b>	
Cash	\$ 105
Working capital deficit (excluding cash and cash equivalents)	(646)
Property, plant and equipment	1,145
Intangible assets	1,544
Goodwill	3,820
<b>Liabilities:</b>	
Long term loan	(1,042)
Deferred tax liability	(355)
Total purchase price	<u>\$ 4,571</u>

The company did not include proforma profit or loss for the nine months ended September 30, 2021, since it is not significant to the financial statements.

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 3: - BUSINESS COMBINATION (Cont.)**

*Vironna pharmacy*

On August 16, 2021, IMC Holdings has signed a definitive agreement to acquire 51% of the outstanding ordinary shares of Revoly Trading and Marketing Ltd. ("Vironna") for a total consideration of approximately NIS 8,500 (\$3,300), of which approximately NIS 5,000 (\$1,950) in cash and NIS 3,500 (\$1,350) is in common shares of IMCC to be issued at closing of Vironna transaction. In addition, the Company will pay the former stockholders additional consideration with regards to working capital in the amount of NIS 800 (\$300). The closing is conditional upon receipt of all requisite approvals, including from the MOH.

The following table summarizes the fair value of the identifiable assets acquired and liabilities assumed on the acquisition date, based on preliminary purchase price allocation study:

	<u>Fair value</u>
<b>Assets:</b>	
Cash	\$ 57
Working capital deficit (excluding cash and cash equivalents)	198
Property, plant and equipment	210
Intangible assets	2,180
Goodwill	2,515
<b>Liabilities:</b>	
Deferred tax liability	<u>(502)</u>
Total assets, net	4,658
Non-controlling interest	<u>(1,048)</u>
Total purchase price	<u>\$ 3,610</u>

The goodwill arising on acquisition is attributed to the expected benefits from the synergies of the combination of the activities of the Company and the pharmacies. The Company has elected to measure the non-controlling interest in this business combination based on the fair value of the identifiable net assets acquired (excluding goodwill).

The company did not include proforma profit or loss for the nine months ended September 30, 2021, since it is not significant to the financial statements.

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

Canadian Dollars in thousands, except share and per share data

**NOTE 4: - BIOLOGICAL ASSETS**

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

Balance as of January 1, 2021	\$ 78
Initial consolidation of Trichome and MYM	848
Production costs capitalized	7,473
Changes in fair value less cost to sell due to biological transformation	5,482
Transferred to inventory upon harvest	(11,203)
Foreign exchange translation	34
Balance as of September 30, 2021 (unaudited)	<u>\$ 2,712</u>

As of September 30, 2021 and December 31, 2020, the weighted average fair value less cost to sell was \$3.03 and \$5.18 per gram, respectively.

The fair value of biological assets is categorized within Level 3 of the fair value hierarchy.

The following inputs and assumptions were used in determining the fair value of biological assets:

1. Selling price per gram - calculated as the weighted average historical selling price for all strains of cannabis sold by the Group, which is expected to approximate future selling prices.
2. Post-harvest costs - calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants post-harvest, consisting of the cost of direct and indirect materials, depreciation and labor as well as labelling and packaging costs.
3. Attrition rate - represents the weighted average percentage of biological assets which are expected to fail to mature into cannabis plants that can be harvested.
4. Average yield per plant - represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant.
5. Stage of growth - represents the weighted average number of weeks out of the average weeks growing cycle that biological assets have reached as of the measurement date. The growing cycle is approximately 12 weeks.



**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

Canadian Dollars in thousands, except share and per share data

**NOTE 4: - BIOLOGICAL ASSETS (Cont.)**

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

	September 30, 2021 Unaudited	December 31, 2020	10% change as of	
			September 30, 2021	December 31, 2020
	Canadian Dollars in thousands			
Average selling price per gram of dried cannabis (in CAD)	\$ 4.56	\$ 6.01	\$ 364	\$ 9
Average post-harvest costs per gram of dried cannabis (in CAD)	\$ 1.53	\$ 0.83	\$ 116	\$ 1
Attrition rate	17%	5%	\$ 279	-
Average yield per plant (in grams)	71	54	\$ 247	\$ 8
Average stage of growth	42%	4%	\$ 251	\$ 8

The Company's estimates are, by their nature, subject to change including differences in the anticipated yield. These changes will be reflected in the gain or loss on biological assets in future periods.

**NOTE 5: - INVENTORIES**

The following is a breakdown of inventory as of September 30, 2021 (unaudited):

	Capitalized costs	Fair valuation adjustment, net	Carrying value
Work in progress:			
Bulk cannabis	\$ 11,300	\$ 2,581	\$ 13,881
Other cannabis products	1,296	-	1,296
Finished goods:			
Packaged dried cannabis	5,549	436	5,985
Other cannabis products	902	-	902
Other products	1,856	-	1,856
Balance as of September 30, 2021 (unaudited)	\$ 20,903	\$ 3,017	\$ 23,920

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

Canadian Dollars in thousands, except share and per share data

**NOTE 5: - INVENTORIES (Cont.)**

The following is a breakdown of inventory as of December 31, 2020:

	<u>Capitalized costs</u>	<u>Fair valuation adjustment, net</u>	<u>Carrying value</u>
Work in progress:			
Bulk cannabis	\$ 2,130	\$ 4,728	\$ 6,858
Finished goods:			
Packaged dried cannabis	363	603	966
Other products	<u>546</u>	<u>-</u>	<u>546</u>
Balance as of December 31, 2020	<u>\$ 3,039</u>	<u>\$ 5,331</u>	<u>\$ 8,370</u>

During the nine months ended September 30, 2021 and 2020, inventory expensed to cost of goods sold of cannabis products was \$28,397 and \$10,071, respectively, which included \$7,608 and \$5,099, of non-cash expense, respectively, related to the changes in fair value of inventory sold.

During the three months ended September 30, 2021 and 2020, inventory expensed to cost of goods sold of cannabis products was \$18,637 and \$4,799, respectively, which included \$2,478 and \$2,268, of non-cash expense, respectively, related to the changes in fair value of inventory sold.

Cost of revenues in the nine and three months ended September 30, 2021 and 2020, also include production overhead not allocated to costs of inventories produced and recognized as an expense as incurred.

**NOTE 6: - FINANCIAL INSTRUMENTS**

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

***Financial Instruments Measured at Fair Value***

Derivative assets \*)  
2021 Warrants (see Note 7b) \*)  
Listed Warrants \*)  
Loans receivable

**Fair Value Method**

Black & Scholes model (Level 3 category)  
Black & Scholes model (Level 3 category)  
Market price (Level 1 category)  
Discounted Cashflow Method (Level 3 category)

***Financial Instruments Measured at Amortized Cost***

Cash and cash equivalents, Trade receivables and other account receivables  
Loans receivable  
Trade Payables, other accounts payable and accrued expenses

Carrying amount (approximates fair value due to short-term nature)  
Amortized Cost (effective interest method)  
Carrying amount (approximates fair value due to short-term nature)

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

Canadian Dollars in thousands, except share and per share data

**NOTE 6: - FINANCIAL INSTRUMENTS (Cont.)**

- \*) Finance expense (income) includes fair value adjustment of Warrants, Investments, and Derivative assets measured at fair value, for the nine months ended September 30, 2021 and 2020, amounted to \$(21,169) and \$6,048, respectively.

Finance expense (income) includes fair value adjustment of Warrants, Investments, and Derivative assets measured at fair value, for the three months ended September 30, 2021 and 2020, amounted to \$(8,120) and \$(973), respectively.

**NOTE 7: - EQUITY**

- a. Composition of share capital:

	September 30, 2021		December 31, 2020	
	Unaudited			
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
Common Shares without par value	Unlimited	67,581,984	Unlimited	39,765,799

Common Shares confer upon their holders the right to participate in the general meeting where each Common Share has one voting right in all matters, receive dividends if and when declared and to participate in the distribution of surplus assets in case of liquidation of the Company.

On February 12, 2021, the Company's shareholders general meeting resolved to consolidate all of its issued and outstanding Common Shares on a four (4) to one (1) basis (the "Share Consolidation"). Following the Share Consolidation, the number of Listed Warrants outstanding was not altered; however, the exercise terms were adjusted such that four Listed Warrants are exercisable for one Common Share following the payment of an adjusted exercise price of \$5.20. The interim condensed consolidated financial statements give effect to the Share Consolidation for all periods presented.

As of September 30, 2021, Trichome is holding 927,463 Common Shares in trust for certain employees who are former holders of Trichome Shares. Trichome is acting as a bare trustee or agent for these employees without any independent control or discretion over these Common Shares. Accordingly, such Common Shares are not reflected as held by the Group in these consolidated financial statements.

- b. Capital issuance during the reporting period:

On May 10, 2021, the Company completed an overnight marketed offering (the "Offering") of 6,086,956 Common Shares (each an "Offered Share") at a price of US\$5.75 per Offered Share for aggregate gross proceeds of approximately US\$35 million (\$42,000). The Company also issued 3,043,478 Common Share purchase warrants (each a "2021 Warrant") to the purchasers of Offered Shares, for no additional consideration, that entitle the holders to purchase 3,043,478 Common Shares of the Company at an exercise price of US\$7.2 per Common Share for a term of 5 years from the closing date.

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

Canadian Dollars in thousands, except share and per share data

**NOTE 7: - EQUITY (Cont.)**

As the exercise price of the 2021 Warrants is denominated in US dollars, which is not the functional currency of the Company, the 2021 Warrants are accounted for as a derivative liability, which is measured at fair value. Gross proceeds in the amount of \$30,778 were recorded as Share capital and premium, and \$11,222 were recorded as a Warrant liability, based on a valuation using the Black & Scholes option pricing model. The transaction costs incurred as a result of the Common Shares issuance amounted to approximately \$3,800, of which approximately \$1,100 (attributed to the issuance of the Listed Warrants) were recorded as an expense in the Company's condensed interim consolidated statements of profit or loss and approximately \$2,700 (attributed to the issuance of share capital) as a deduction from Share capital and premium.

Pursuant to the terms of the Offering, the placement agents held an over-allotment option to purchase up to an additional 913,044 Offered Shares and 456,522 2021 Warrants on the same terms and conditions for a period of 30 days following the closing date. The over-allotment option was not exercised by the placement agents and expired as of June 30, 2021. The Company recorded expenses in the amount of approximately \$800 under share based compensation expenses with respect to the Offering.

The Offering was conducted pursuant to the Company's effective shelf registration statement on Form F-10 filed with the U.S. Securities and Exchange Commission and a corresponding Canadian shelf prospectus filed with the Securities Regulatory Authority in each of the provinces and territories of Canada and a final prospectus supplement which was filed with the SEC on May 5, 2021.

- c. Changes in issued and outstanding share capital:

	<b>Number of shares</b>
Balance as of January 1, 2021 (1)	39,765,799
Common Shares issued as a result of Warrants and Compensation options exercised	689,780
Common Shares issued as a result of options exercised	372,181
Common Shares issued as a result of capital issuance (2)	6,086,956
Common Shares issued in consideration of a business combination (3)	<u>20,667,268</u>
Balance as of September 30, 2021 (unaudited)	<u>67,581,984</u>

- (1) After giving effect to consolidation 4:1.  
 (2) Shares issued at overnight market offering (see Note 7(b)).  
 (3) Shares issued in the acquisitions during the period (see Note 3).

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

Canadian Dollars in thousands, except share and per share data

**NOTE 7: - EQUITY (Cont.)**

d. Share option plan:

The fair value for options granted to the Group's employees, directors and advisors during the nine months ended September 30, 2021, was estimated using the Black & Scholes option pricing model with the following assumptions:

	<b>Nine months ended September 30, 2021</b>
	<b>Unaudited</b>
Exercise price (in CAD)	10.00 -
Dividend yield (%)	\$ \$10.12
Expected life of share options (in years)	-
Volatility (%)	3-4
Annual risk-free rate (%)	83.68 - 80.61
Share price (in CAD)	0.52 - 0.77
	10.00 -
	\$ \$10.12

The weighted average fair value of each option on the grant date amounted to \$4.16.

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:

	<b>Nine months ended September 30, 2021 (unaudited)</b>	
	<b>Number of options</b>	<b>Weighted average exercise price in CAD</b>
Options outstanding at the beginning of the period	3,154,870	2.2
Options granted during the period	2,936,765	6.01
Options exercised during the period (*)	(441,100)	2.52
Options forfeited and expired during the period	(94,790)	3.99
Options outstanding at the end of the period	<u>5,555,745</u>	<u>3.82</u>
Options exercisable at the end of the period	<u>1,733,595</u>	<u>1.96</u>

\*) Includes 164,164 Options exercised under cashless mechanism to 95,244 Common Shares.

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

Canadian Dollars in thousands, except share and per share data

**NOTE 8: - SELECTED STATEMENTS OF PROFIT OR LOSS DATA**

- a. Revenues and cost of revenues by type of products, are as follows:

Net revenues:

	Nine months ended September 30,		Three months ended September 30,	
	2021	2020	2021	2020
	<b>Unaudited</b>			
Revenues from cannabis products, net of excise tax	\$ 27,725	\$ 10,209	\$ 13,863	\$ 5,707
Revenues from other products *)	6,547	781	530	186
<b>Total net revenues</b>	<b>\$ 34,272</b>	<b>\$ 10,990</b>	<b>\$ 14,393</b>	<b>\$ 5,893</b>

Cost of revenues:

	Nine months ended September 30,		Three months ended September 30,	
	2021	2020	2021	2020
	<b>Unaudited</b>			
Cost of revenues - cannabis products	\$ 20,789	\$ 4,197	\$ 11,029	\$ 2,460
Cost of revenues - other products *)	5,374	775	484	71
<b>Total cost of revenues</b>	<b>\$ 26,163</b>	<b>\$ 4,972</b>	<b>\$ 11,513</b>	<b>\$ 2,531</b>

- \*) Other products primarily include revenues and cost of revenues from sales of COVID-19 rapid antigen test kits by Adjupharm in Germany (see Note 1).

- b. Revenues by geographical area based on the location of the customers, are as follows:

	Nine months ended September 30,		Three months ended September 30,	
	2021	2020	2021	2020
	<b>Unaudited</b>			
Israel	\$ 16,959	\$ 8,285	\$ 7,152	\$ 4,300
Germany	7,182	2,705	888	1,593
Canada	10,131	-	6,353	-
<b>Total</b>	<b>\$ 34,272</b>	<b>\$ 10,990</b>	<b>\$ 14,393</b>	<b>\$ 5,893</b>

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

Canadian Dollars in thousands, except share and per share data

**NOTE 8: - SELECTED STATEMENTS OF PROFIT OR LOSS DATA (Cont.)**

- c. Selected statements of profit or loss data:

	Nine months ended September 30,		Three months ended September 30,	
	2021	2020	2021	2020
	<b>Unaudited</b>			
Salaries and related expenses	\$ 12,608	\$ 4,358	\$ 5,835	\$ 1,285
Depreciation and amortization	\$ 3,604	\$ 672	\$ 1,961	\$ 244

**NOTE 9: - NET EARNINGS (LOSS) PER SHARE**

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

	Nine months ended September 30,			
	2021		2020	
	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	47,785	(4,869)	152,836	(9,340)
Effect of potential dilutive Ordinary shares	3,210	(21,237)	-	-
For the computation of diluted net earnings	50,995	(26,106)	152,836	(9,340)

	Three months ended September 30,			
	2021		2020	
	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	66,630	(4,285)	115,327	656
Effect of potential dilutive Ordinary shares	4,901	(8,535)	-	-
For the computation of diluted net earnings	71,531	(12,820)	115,327	656

\*) After giving effect to consolidation 4:1

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)****Canadian Dollars in thousands, except share and per share data**

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**NOTE 10: - SUBSEQUENT EVENTS**

On October 15, 2021, in connection with the Panaxia Transaction, the Company issued the third installment of 248,212 Consideration Shares at a price of US\$3.225 per Panaxia Consideration Share, representing an aggregate value equal to approximately US\$800 thousand (approximately \$1,000).

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IM Cannabis Corp.

Management's Discussion and Analysis

For the Three and Nine Months Ended September 30, 2021

November 15, 2021

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## IM Cannabis Corp.

## Management's Discussion and Analysis

## For the Three and Nine Months Ended September 30, 2021 and 2020

This Management's Discussion and Analysis ("MD&A") reports on the consolidated financial condition and operating results of IM Cannabis Corp. (the "Company" or "IMCC") for the three and nine months ended September 30, 2021 and 2020. Throughout this MD&A, unless otherwise specified, references to "we", "us", "our" or similar terms, as well as the "Company" and "IMCC" 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 Company's interim condensed consolidated financial statements for the three and nine months ended September 30, 2021 (the "Interim Financial Statements") and with the Company's annual financial statements as of December 31, 2020, and for the year then ended and accompanying notes ("Annual Financial Statements").

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 financial statements and the amount of revenue and expenses incurred during the reporting period. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods.

The Interim Financial Statements include the accounts of the Company, and the following entities:

Legal Entity:	Relationship with the Company:
IMC Holdings Ltd. ("IMC Holdings")	Wholly-owned subsidiary
Adjupharm GmbH ("Adjupharm")	Subsidiary of IMC Holdings
IMC Ventures Ltd.	Subsidiary of IMC Holdings
I.M.C Farms Israel Ltd.	Wholly-owned subsidiary of IMC Holdings
I.M.C. – International Medical Cannabis Portugal Unipessoal, Lda.	Wholly-owned subsidiary of IMC Holdings
Focus Medical Herbs Ltd. ("Focus")	Private company over which IMC Holdings exercises "de facto control" under IFRS 10, as further described under the "Risk Factors" section below
R.A. Yarok Pharm Ltd. ("Pharm Yarok")	Private company over which IMC Holdings exercises control under accounting principles, as further described under the "Overview of the Company– The Group and Consolidated Entities – The Consolidated Entities" section below

## Management's Discussion and Analysis (Canadian dollars, in thousands)

Rosen High Way Ltd. ("Rosen High Way")	Private company over which IMC Holdings exercises control under accounting principles, as further described under the "Overview of the Company—The Group and Consolidated Entities—The Consolidated Entities" section below
High Way Shimua Ltd. ("HW Shimua")	Private company over which IMC Holdings exercises control under accounting principles, as further described under the "Overview of the Company—The Group and Consolidated Entities—The Consolidated Entities" section below
Revolv Trading and Marketing Ltd. dba Vironna Pharm ("Vironna")	Private company over which IMC Holdings exercises control under accounting principles, as further described under the "Overview of the Company—The Group and Consolidated Entities—The Consolidated Entities" section below
Trichome Financial Corp. ("Trichome")	Wholly-owned subsidiary
Trichome Financial Cannabis GP Inc.	Wholly-owned subsidiary of Trichome
Trichome Financial Cannabis Manager Inc.	Wholly-owned subsidiary of Trichome
Trichome Financial Cannabis Private Credit LP (the "Fund")	Limited partnership, equity accounted investee
Trichome Asset Funding Corp.	Wholly-owned subsidiary of Trichome
Trichome JWC Acquisition Corp. ("TJAC")	Wholly-owned subsidiary of Trichome
Trichome Retail Corp.	Wholly-owned subsidiary of Trichome
MYM Nutraceuticals Inc. ("MYM")	Wholly-owned subsidiary of Trichome
SublimeCulture Inc.	Wholly-owned subsidiary of MYM
CannaCanada Inc.	Wholly-owned subsidiary of MYM
MYM International Brands Inc.	Wholly-owned subsidiary of MYM
Highland Grow Inc.	Wholly-owned subsidiary of MYM International Brands Inc.

All intercompany balances and transactions were eliminated on consolidation.

All amounts in this MD&A are expressed in Canadian Dollars (\$) in thousands, unless otherwise noted. Certain amounts are shown in New Israeli Shekel ("NIS"), Euro ("€"), United States Dollars ("US\$") as "\$"), in thousands, unless otherwise noted.

## CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A may contain "forward-looking statements" or "forward-looking information," within the meaning of applicable securities legislation (collectively referred to herein as "forward-looking statements" or "forward-looking information"). All statements other than statements of fact may be deemed to be forward-looking statements, including statements with regard to expected financial performance, strategy and business conditions. The words "believe", "plan", "intend", "estimate", "expect", "anticipate", "continue", or "potential", and similar expressions, as well as future or conditional verbs such as "will", "should", "would", and "could" often identify forward-looking statements. These statements reflect management's current expectations and plans with respect to future events and are based on information currently available to management including based on reasonable assumptions, estimates, internal and external analysis and opinions of management considering its experience, perception of trends, current conditions and expected developments as well as other factors that management believes to be relevant as at the date such statements are made.

**Management's Discussion and Analysis** (Canadian dollars, in thousands)

Without limitation, this MD&A contains 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 and operations;
- the intention to expand the business, operations and potential activities of the Company;
- expectations relating to the number of patients in Israel licensed by the Israeli Ministry of Health ("MOH") to consume medical cannabis;
- expectations of Focus, TJAC and MYM on variations of net cost of sales based on the number of pre-harvest plants, after harvest plants, the strains being grown and technological progress in the trimming machines;
- the future product portfolios of the Group and the Company's ability to export its products, strains and genetics from Canada to Israel and Germany;
- the competitive conditions of the cannabis industry and the growth of medical or recreational cannabis markets in the jurisdictions in which the Company operates;
- the growth of the Company's brands in the respective jurisdictions;
- the Company's retail presence, distribution capabilities and data-driven insights;
- cannabis licensing in Israel, Germany and Canada, including the anticipated decriminalization or legalization of recreational cannabis in Israel;
- expectations regarding the renewal and/or extension of the Group's licenses;
- the Group's anticipated operating cash requirements and future financing needs;
- the Group's expectations regarding its revenue, expenses, profit margins and operations;
- future opportunities for the Company in Canada, particularly in the premium and ultra-premium segments;
- future opportunities for the Company in Israel, particularly in the retail and distribution segments of the cannabis market;
- and
- contractual obligations and commitments.

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

- the anticipated increase in demand for medical and recreational cannabis in the markets in which the Company operates;
- the Company's satisfaction of international demand for its products;
- the effectiveness of its products for medical cannabis patients and recreational consumers;
- future cannabis pricing and input costs;
- cannabis production yields;
- the Company being able to continue to drive organic growth from Canadian operations;
- and
- the Company's ability to market its brands and services successfully to its anticipated customers.

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

- general business risk and liability, including claims or complaints in the normal course of business;
- any failure of the Company to maintain "de facto" control over Focus in accordance with IFRS 10 *Consolidated Financial Statements* ("IFRS 10");
- regulatory authorities in Israel viewing the Company as the deemed owner of more than 5% of Focus in contravention of Israeli regulations;
- limitations on stockholdings of the Company in connection with its potential direct engagement in the Israeli medical cannabis market;
- the ability and/or need to obtain additional financing for continued operations;
- the lack of control over the Company's investees;
- the failure of the Company to comply with applicable regulatory requirements in a highly regulated industry;
- unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medical cannabis in Israel, Germany, Canada, Portugal, Greece, or any jurisdictions in which the Company intends to operate;
- the Company's ability to continue to meet the listing requirements of the Canadian Securities Exchange ("CSE") and the NASDAQ Capital Market ("NASDAQ");
- the Israeli government deciding to abandon the decriminalization or legalization of recreational cannabis;
- any change in the political environment which would negatively affect the prospect of decriminalization or legalization of recreational cannabis in Israel;
- any unexpected failure of Focus to maintain in good standing or renew any of the licenses granted by the Israeli Medical Cannabis Agency (the "IMCA"), administered by the MOH, to propagate and cultivate medical cannabis in Israel (the "Focus Licenses");
- Focus' reliance on the Focus Facility (as defined herein) to conduct medical cannabis activities in Israel;
- any unexpected failure of Focus to maintain the Focus Facility in good standing with all state and municipal Israeli regulations, including all required licenses and permits and under the Focus Leases;
- any adverse outcome of the Construction Proceedings (as defined herein);
- any unexpected failure of Adjupharm to maintain in good standing or renew any of its wholesale, narcotics handling, manufacturing, procurement, storage and distribution, or import/export licenses, permits, certificates or approvals granted to Adjupharm by German regulatory authorities (the "Adjupharm Licenses");
- any unexpected failure of TJAC to maintain in good standing or renew any of the Canadian licenses held by TJAC to produce, process, and sell cannabis products in the adult-use recreational cannabis market (the "TJAC Licenses") or the Canadian licenses held by MYM to cultivate, process, and sell cannabis products in the adult-use recreational cannabis market (the "MYM Licenses");
- the reliance by TJAC and MYM on their facilities to conduct medical cannabis activities;
- any unexpected failure of TJAC and/or MYM to maintain their facilities in good standing with all applicable regulations, including all required licenses and permits and under the TJAC Leases and the Sublime Lease;
- the Group's ability to maintain ancillary business licenses, permits and approvals required to operate effectively;
- the ability to complete the Company's acquisition of certain trading house and in-house pharmacy assets from Panaxia Pharmaceutical Industries Israel Ltd. and Panaxia Logistics Ltd., part of the Panaxia Labs Israel, Ltd. group of companies ("Panaxia") (the "Panaxia Transaction") in a timely manner or at all, including (i) the receipt of requisite MOH approval in connection with the transfer of Panaxia's IMC-GDP license (the "Panaxia IMC-GDP License"); (ii) any exercise of the Company's option (the "Panaxia Option") to acquire Panaxia's pharmacy and its licenses to dispense and sell medical cannabis to licensed medical cannabis patients (the "Panaxia Pharmacy Licenses"); and (iii) the timing of each instalment of the share consideration component of the Panaxia Transaction purchase price ("Panaxia Consideration Shares");

**Management's Discussion and Analysis** (Canadian dollars, in thousands)

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- the ability to complete the acquisition of the outstanding ordinary shares of Pharm Yarok, Rosen High Way and HW Shinua (Collectively, the "Pharm Yarok Group") (the "Pharm Yarok Transaction"), including the receipt of MOH approval in connection with the change of control under their respective licenses of cannabis activity in Israel following the Pharm Yarok Transaction;
  - the ability to complete the acquisition of 51% of the outstanding ordinary shares of Vironna (the "Vironna Transaction"), including the receipt of MOH approval in connection with the change of control under its licenses to dispense and sell medical cannabis to licensed medical cannabis patients;
  - the ability of the Company, following the Trichome Transaction, the MYM Transaction (as defined herein), the Panaxia Transaction, the Pharm Yarok Transaction and the Vironna Transaction to integrate each entity into the Company's operations and realize the anticipated benefits and synergies of each such transaction and the timing thereof and the focus of management on such integration;
  - any potential undisclosed liabilities of Trichome, MYM, Pharm Yarok, Vironna or other entities acquired by the Company that were unidentified during the due diligence process;
  - the interpretation of Company's acquisitions of companies or assets by tax authorities or regulatory bodies, including but not limited to the change of control of licensed entities;
  - the failure to negotiate and execute a definitive agreement with cbdMD, Inc. ("cbdMD") satisfactory to the respective parties;
  - the ability of the Group to deliver on their sales commitments or growth objectives;
  - the Group's reliance on third-party supply agreements and its ability to enter into additional supply agreements to provide sufficient quantities of medical cannabis to fulfil the Group's obligations;
  - the Group's possible exposure to liability, the perceived level of risk related thereto, and the anticipated results of any litigation or other similar disputes or legal proceedings involving the Group, including but not limited to the Construction Proceedings, the MOH Allegations (each as defined herein) and the class action proceedings described herein;
  - the impact of increasing competition;
  - any lack of merger and acquisition opportunities;
  - inconsistent public opinion and perception regarding the use of cannabis;
  - engaging in activities considered illegal under US federal law related to cannabis;
  - political instability and conflict in the Middle East;
  - adverse market conditions;
  - unexpected disruptions to the operations and businesses of the Group as a result of the COVID-19 global pandemic or other disease outbreaks including a resurgence in the cases of COVID-19;
  - the inherent uncertainty of production quantities, qualities and cost estimates and the potential for unexpected costs and expenses;
  - the Group's ability to sell its products
  - currency fluctuations;
  - any change in accounting practices or treatment affecting the consolidation of financial results;
  - the costs of inputs;
  - reliance on management; and
  - the loss of key management and/or employees.
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**Management's Discussion and Analysis** (Canadian dollars, in thousands)

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

**FINANCIAL OUTLOOK**

The forward-looking information in this MD&A contain statements in respect of estimated revenues. The Company and its management believe that the estimated revenues are reasonable as of the date hereof and are based on management's current views, strategies, expectations, assumptions and forecasts, and have been calculated using accounting policies that are generally consistent with the Company's current accounting policies. These estimates are considered financial outlooks under applicable securities legislation. These estimates and any other financial outlooks or future-oriented financial information included herein have been approved by management of the Company as of the date hereof. Such financial outlooks or future-oriented financial information are provided for the purposes of presenting information about management's current expectations and goals relating to the sales agreements described in the "Corporate Developments" section of this MD&A and other previously announced Focus sales agreements and the future business of the Company. The Company disclaims any intention or obligation to update or revise any future-oriented financial information, whether as a result of new information, future events or otherwise, except as required by securities legislation. Readers are cautioned that actual results may vary materially as a result of a number of risks, uncertainties, and other factors, many of which are beyond the Group's control. See the risks and uncertainties discussed in the "Risk Factors" section and elsewhere in this MD&A and other risks detailed from time to time in the publicly filed disclosure documents of the Company which can be viewed online under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com).

**NON-IFRS FINANCIAL MEASURES**

Certain financial measures used in this MD&A do not have any standardized meaning under IFRS, including "Gross Margin", "EBITDA" and "Adjusted EBITDA". For a reconciliation of these non-IFRS financial measures to the most comparable IFRS financial measures, as applicable, see the "Metrics and Non-IFRS Financial Measures" section of the MD&A.

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

The Company was incorporated pursuant to the *Business Corporations Act* (British Columbia) on March 7, 1980, under the name "Nirvana Oil & Gas Ltd." On July 12, 2013, in connection with a share consolidation, the Company changed its name to "Navasota Resources Inc.". On June 22, 2018, the Company completed a consolidation of its common shares ("Common Shares") on the basis of one post-consolidation Common Share for every five pre-consolidation Common Shares. On October 4, 2019, in connection with the Reverse Takeover Transaction (as defined below), the Company effected a consolidation of its Common Shares on the basis of one (1) post-consolidation Common Share for every 2.83 pre-consolidation Common Shares and changed its name to "IM Cannabis Corp.". On October 11, 2019, the Company completed the Reverse Takeover Transaction and changed its business from mining to the international medical cannabis industry.

**Management's Discussion and Analysis** (Canadian dollars, in thousands)

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

IMCC is a multi-country operator in the medical and recreational cannabis sector headquartered in Israel with operations in Israel, Europe, and Canada.

*Israel*

In Israel, IMC Holdings built the IMC brand of premium medical cannabis products which have been cultivated over the last decade by Focus, an Israeli licensed cultivator over which IMC Holdings exercises "de facto control" under IFRS 10, and its cultivation partners, and sold by Focus in the Israeli market.

Focus holds the Focus Licenses, granted by the MOH, to propagate and cultivate medical cannabis in the State of Israel, valid until January 3, 2022s. Focus is one of the eight medical cannabis producers initially licensed by Israeli regulatory authorities and has over 10 years of experience in growing high quality medical cannabis products for the Israeli market.

As part of its core Israeli business, IMC Holdings offers intellectual property-related services to the medical cannabis industry based on proprietary processes and technologies it developed for the production of medical cannabis. The Company offers its intellectual property and consulting services to Focus pursuant to certain commercial agreements and receives as consideration for such services a share of Focus' revenues resulting from the sale of medical cannabis products under the IMC brand. The Company has started entering, through its subsidiaries, the distribution and retail segments of the Israeli medical cannabis market, by entering into each of the Panaxia Transaction, the Pharm Yarok Transaction, and the Vironma Transaction and by attracting acquisitions of synergistic targets in Israel. Following such vertical integration, IMCC expects to increase its revenues from its Israeli medical cannabis market activities, diversify its business opportunities and gain direct access to medical cannabis patients.

*Europe*

In Europe, IMCC operates through Adjupharm, a German-based subsidiary acquired by IMC Holdings on March 15, 2019. Adjupharm is an EU-GMP certified medical cannabis producer and distributor with the Adjupharm Licenses that allow, among other capabilities, for the import/export of medical cannabis with requisite permits. Adjupharm serves as the Company's flagship European outpost for sales and distribution.

Adjupharm currently manufactures and distributes IMC-branded medical cannabis products, in addition to other branded medical cannabis products, to pharmacies and distribution partners in Germany pursuant to sales and distribution agreements. Adjupharm sources its medical cannabis products from strategic partners, including various EU-GMP standard European and Canadian suppliers. While the Company does not currently distribute products in European countries other than Germany, the Company intends to leverage the platform established by Adjupharm in Germany and its network of distribution partners to expand to other jurisdictions across the continent in which medical cannabis is legal.



**Management's Discussion and Analysis** (Canadian dollars, in thousands)*Canada*

IMCC expanded operations to Canada through the acquisition of Trichome on March 18, 2021 with the objective of securing premium indoor cannabis for the Israeli medical market as well as to compete in the premium segment of Canada's adult-use recreational market. Trichome's wholly-owned subsidiary, TJAC holds the TJAC Licenses. TJAC's flagship facility, located near Toronto, cultivates high-quality indoor cannabis using roughly 47,000 square feet of cultivation space. The Company intends to operate Trichome with a focus on acquiring, integrating and managing related assets in Canada that complement IMCC's international strategic objectives.

On July 9, 2021, IMCC, through Trichome, completed the acquisition of MYM (the "MYM Transaction"). MYM is a Canadian cultivator, processor, and distributor of premium cannabis through its two wholly-owned subsidiaries: SublimeCulture Inc. ("Sublime"), which is located near Montreal, Quebec, and Highland Grow Inc. ("Highland"), which is in Antigonish, Nova Scotia. MYM's flagship brand, Highland, is an ultra-premium brand sold in most provinces and territories throughout Canada.

The consolidated revenues of the Group for the three and nine months ended September 30, 2021, was generated mainly from the sale of medical cannabis products in Israel and Germany, and since March 18, 2021, the sale of adult-use recreational cannabis in Canada. ..

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.

**The Group and Consolidated Entities***The Group*

As of September 30, 2021, the Company's major Israeli assets include the Commercial Agreements and the Focus Agreement (as defined herein), the respective definitive agreements with each of the Consolidated Entities (as defined herein), as well as its holdings in Xinteza API Ltd. ("Xinteza").

As of September 30, 2021, the Company's major international assets include Trichome, TJAC and MYM in Canada, and 90.02% of Adjupharm in Germany.

As of September 30, 2021, neither the Company nor any of its subsidiaries currently hold, directly or indirectly, any licenses to engage in the propagation, cultivation, production, processing, distribution or sale of medical cannabis products in Israel as required by local legislation. However, under IFRS 10, the Company is required to consolidate the results of Focus, a licensed propagator and cultivator of medical cannabis products under the current Israeli regulatory regime. As such, all financial information in this MD&A is presented on a consolidated basis reflecting the results of the Group. While, as of the date of this report, IMCC does not hold any of the Israeli licenses mentioned above and does not own Focus, it derives a significant portion of its consolidated revenues from Focus' revenue, which is primarily earned from sales of medical cannabis by Focus to pharmacies in Israel. Furthermore, the Company has an option under the Focus Agreement (as defined herein) to re-acquire 74% ownership of Focus. For more information, please see the "Risk Factors" section below.

**Management's Discussion and Analysis** (Canadian dollars, in thousands)*The Consolidated Entities*

On July 28, 2021, IMC Holdings entered into a definitive agreement in respect of the Pharm Yarok Transaction, whereby it will acquire all of the outstanding ordinary shares of Pharm Yarok Group, subject to MOH approval.

On August 18, 2021, IMC Holdings entered into a definitive agreement in respect of the Vironna Transaction, whereby it will acquire 51% of the outstanding ordinary shares of Vironna, subject to MOH approval.

Although IMC Holdings has entered into definitive agreements in respect of each of the Pharm Yarok Transaction and the Vironna Transaction, it has not yet completed the foregoing acquisitions. As such, IMC Holdings does not own any of Pharm Yarok Group or Vironna (collectively, the "Consolidated Entities") or their respective licenses to conduct cannabis-related activities in Israel. However, the respective definitive agreements with each of the Consolidated Entities, provides the Company with the power to unilaterally make all decisions regarding the financial and operating policies of each of the Consolidated Entities and the rights to obtain all related economic benefits. Accordingly, under IFRS, the Company consolidates the financial results of the Consolidated Entities in the Interim Financial Statements commencing on the date of signing of each of the respective definitive agreements and, accordingly, the relevant financial information in this MD&A is presented on a consolidated basis reflecting the results of the Group and the Consolidated Entities. For more information, please see the "Risk Factors" section below.

**Company Products***Israel*

'IMC' is a well-known medical cannabis brand in Israel. Leveraging its long-term success in the Israeli market, the Company launched the IMC brand in Germany in 2020. The Company believes that the IMC brand has become synonymous with quality and consistency in the Israeli medical cannabis market. In August 2020, a survey of licensed medical cannabis patients showed that the IMC brand is one of the top four most popular medical cannabis brands in Israel.<sup>1</sup>

In association with Focus, the Company maintains a brand portfolio that includes popular medical cannabis dried flowers such as Roma, DQ, London, and Tel Aviv, as well as full-spectrum cannabis extracts.

All Company products are tested in certified labs in accordance with MOH standards and are certified before being packaged and labelled with detailed information regarding the THC, CBD and CBN content of each product.

<sup>1</sup> According to a survey carried out by Cannabis Magazine among 519 patients licensed by the MOH to consume medical cannabis (Aug 2020, Israel).

<sup>2</sup> The actual percentages of THC and CBD content are determined by certified laboratory inspections and disclosed on the label of each IMC-branded medical cannabis product sold in Israel. Depending on such THC and CBD content, each IMC-branded medical cannabis product is labelled based on the following categories, in accordance with MOH regulations: (a) 'T20/C4' (THC 16-24% and CBD 0-7%); (b) 'T15/C3' (THC 11-19% and CBD 0-5.5%); (c) 'T10/C2' (THC 6-14% and CBD 0-3.8%); (d) 'T10/C10' (THC 6-14% and CBD 6-14%); (e) 'T5/C5' (THC 1-9% and CBD 1-9%); (f) 'T0/C24' (THC 0-0.5% and CBD 20-28%); (g) 'T1/C20' (THC 0-2.5% and CBD 16-24%); (h) 'T3/C15' (THC 0.5-5.5% and CBD 11-19%); and (i) 'T5/C10' (THC 2.5-7.5% and CBD 6-14%). The stated THC and CBD percentage ranges for the IMC branded strains are expected ranges; the actual percentages, as labelled on product packaging under the IMC brand may vary or deviate from such ranges. The CBN content is lower than 1.5% in all products sold in Israel.

The following graphic highlights key products sold under the IMC brand in Israel:



				
<p><b>LONDON</b> A distinct indica with high THC concentration levels, London stands out thanks to its flavor, which combines sweet spices with a deep earthy scent. Its strong influence may enable patients to ease insomnia and makes this strain a good fit mainly for nighttime usage.</p> <p><b>TERPENES</b> Myrcene / Limonene / Caryophyllene</p> <p><b>INDICA DOMINANT HYBRID</b> THC 11-19% CBD 0-5.5%</p>	<p><b>DQ</b> This rich, velvety strain has a cherry aroma and was named after its smooth texture, which resembles ice-cream. It may assist with reducing stress and producing calmness and relaxed feeling, without making patients foggy. Some say that certain dosages enhance the sativa effect and offset the indica, which enables patients to use this strain during different parts of the day.</p> <p><b>TERPENES</b> Caryophyllene / Humulene / Limonene / Linalool</p> <p><b>SATIVA DOMINANT HYBRID</b> THC 11-19% CBD 0-5.5%</p>	<p><b>MIMOSA</b> A sativa dominant strain with a refreshing fruity-floral aroma. In small doses, it produces uplifting and energizing effects which will leave you feeling both happy and motivated throughout the day. In large doses, Mimosa may make you feel sleepy and relaxed. Named after the famous brunch-cocktail, it mirrors its energizing pleasant effect.</p> <p><b>TERPENES</b> Myrcene / <math>\alpha</math>-Pinene / Caryophyllene / Physol.</p> <p><b>SATIVA DOMINANT HYBRID</b> THC 16-24% CBD 0-7%</p>	<p><b>TEL AVIV</b> This sativa-dominant strain was named after the vibrant city of Tel-Aviv, because both are known for uplifting the spirit and enhancing creativity. Its sweet, exotic flavor may increase patients' appetite and assist with eating disorders, while providing a lively, energetic feeling.</p> <p><b>TERPENES</b> <math>\alpha</math>-Pinene / Myrcene / <math>\beta</math>-Pinene / Caryophyllene</p> <p><b>SATIVA DOMINANT HYBRID</b> THC 16-24% CBD 0-7%</p>	<p><b>ROMA</b> An elegant, powerful strain that is known for its strong impact and influence. The high-THC concentration, its earthy taste, and its strength tell us of an indica dominance. Roma may help to relieve pain, treat nausea, and encourage sleep, which makes it more suitable for nighttime treatments.</p> <p><b>TERPENES</b> Caryophyllene / Limonene / Myrcene</p> <p><b>SATIVA DOMINANT HYBRID</b> THC 16-24% CBD 0-7%</p>

**Europe**

In Germany, the Company sells IMC-branded dried flower products. The medical cannabis products sold in the German market are branded generically as "IMC" so as to rely on the Company's brand recognition in establishing a foothold with German healthcare professionals.

**Canada**


In Canada, the Company's product portfolio consists of dried flowers, pre-rolled cannabis, pressed hash, and kief offerings sold by TJAC under the WAGNERS brand into the Canadian adult-use recreational cannabis market (rebranded from 'JWC' to 'WAGNERS' in May 2021). The WAGNERS brand competes in the premium segment of the market. Dried flower is sold primarily in 3.5 gram, 7 gram and 28 gram formats, pre-rolls are sold in a 3 x 0.5 gram format, and both hash and kief are sold in 1, 2 and 4 gram formats. Historically, TJAC sold cannabis on a business-to-business basis to other Canadian licensed cannabis producers. Recently, TJAC has shifted its focus to higher margin business-to-consumer sales. With the acquisition of MYM, TJAC expects to optimize the cultivation and brand footprint of both WAGNERS and Highland Grow. IMCC intends to export premium cannabis strains from TJAC and MYM as well as selected genetics from their ultra-premium strains to the Israeli market for further fulfillment of its global cultivation and distribution platform.


The following graphic highlights key products sold under the WAGNERS brand:



 <p><b>DARK HELMET</b> One of our favourite strains to grow, Dark Helmet delivers earthy aromas with sweet, buttery baked goods. The smoke itself is smooth, full flavoured and reminiscent of lemon and spearmint. The weed is dense in structure, deep purple hues accented by thick orange hairs.</p> <p><b>GENETICS</b> Java Pie x Forum Cut Girl Scout Cookies</p> <p><b>TERPENES</b> Trans-Caryophyllene / Farnesene-2 / Alpha-Humulene / (R)-(+)-Limonene / Linalool</p> <p><b>INDICA DOMINANT HYBRID</b> THC <b>21-26%</b> - CBD &lt;1%</p>	 <p><b>CHERRY JAM</b> Giving off sweet, fruity smells with the spicy punch of skunk, Cherry Jam's smoke gets billed as sour cherries and dried fruit with subtle notes of earthy hash. Cherry Jam's trichome-caked buds show off contrasting light and dark greens broken up by big hits of purple.</p> <p><b>GENETICS</b> Purple Punch x AK47</p> <p><b>TERPENES</b> Beta-Myrcene / Trans-Caryophyllene / Farnesene-2 / (R)-(+)-Limonene / Alpha-Pinene</p> <p><b>HYBRID</b> THC <b>21-26%</b> - CBD &lt;1%</p>	 <p><b>THE SILVERBACK #4</b> The Silverback #4 is a stunning bright green that shimmers with trichomes and gives off aromas such as citrus, pine and a hint of gas. The smoke is smooth, flavourful and with the subtle presence of cacao and ground coffee. The Silverback #4 is an intense example of a strong Hybrid strain both in effect and flavour.</p> <p><b>GENETICS</b> (Sour Dubb X Chem Sister) X Chocolate Diesel</p> <p><b>TERPENES</b> Bisacaryophyllene / Limonene / Alpha-Humulene</p> <p><b>HYBRID</b> THC <b>21-26%</b> - CBD &lt;1%</p>	 <p><b>PINK BUBBA</b> A cross between Pink Kush and Bubba Kush, the weed's compact structure shows stunning mist green and deep purple hues, with bright orange hairs and a thick coating of trichomes. Aromas of pungent earth and pine, with the smoke itself smooth. Full of flavour, more floral than the nose would suggest, but leaves a unique aftertaste of pine and juniper.</p> <p><b>GENETICS</b> Pink Kush X Bubba Kush</p> <p><b>TERPENES</b> Limonene / Betacaryophyllene / Linalool</p> <p><b>INDICA DOMINANT HYBRID</b> THC <b>21-26%</b> - CBD &lt;1%</p>	 <p><b>BLUE LIME PIE</b> Purple hues contrast sharply with orange pistils and are balanced by different shades of green. A hybrid strain that leans slightly to the Indica side of the spectrum and smokes smooth with flavours of citrus, orange zest and earth. This is a classic in the making.</p> <p><b>GENETICS</b> Key Lime Pie X Blue Power</p> <p><b>TERPENES</b> Bisacaryophyllene / Limonene / Humulene</p> <p><b>INDICA DOMINANT HYBRID</b> THC <b>21-26%</b> - CBD &lt;1%</p>
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 <p><b>SOAP BAR HASH</b> An homage to a traditional UK-style of hash popularized in the late 80s and early 90s. Soap Bar was the go-to product for a generation of UK consumers. Created using an old-school, solventless hash production method where trichomes are sifted and then pressed together using gentle heat, we are left with a light brown bar of hash with pleasant aromas of pine and earth.</p> <p>THC <b>20-25%</b> CBD &lt;1%</p>	 <p><b>OLD SCHOOL PRESSED HASH</b> This pressed hash is dark on the outside and lighter in colour on the inside. Screens are used to sift and isolate trichomes. We then apply gentle heat and pressure to ensure that only the product's natural oils act as a binding agent. The aroma is slightly spicy and upon heating becomes pungent. Our Old School Pressed Hash smokes smooth in a bowl or a joint rolled with WAGNERS weed.</p> <p>THC <b>32-40%</b> CBD &lt;1%</p>	 <p><b>LEGACY KIEF</b> Our high potency, premium kief. Made by tumbling our indoor grown, aeroponic flower through a series of screens, Legacy Kief is a Well Made, highly versatile product that can be used in any number of ways.</p> <p>THC <b>35-40%</b> CBD &lt;1%</p>
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On July 9, 2021, the Company closed the MYM Transaction. Through this acquisition, the Company acquired the rights to the Highland Grow brand, a well-known, widely-available ultra-premium cannabis brand in Canada. Highland Grow products include dried flower and pre-rolled cannabis, with dried flower potency typically above 25% THC. In addition to the proven track record of the Highland Grow brand, MYM holds over 150 strains in its product portfolio that the Company plans to selectively release to market.

Management’s Discussion and Analysis (Canadian dollars, in thousands)

The following graphic highlights key products sold under the Highland Grow brand:



Corporate Developments

(i) the Reverse Takeover Transaction and Liquidity Events

On October 11, 2019, the Company completed a business combination with IMC Holdings resulting in a reverse takeover of the Company by shareholders of IMC Holdings (the “Reverse Takeover Transaction”). The Reverse Takeover Transaction was effected by way of a “triangular merger” between the Company, IMC Holdings and a wholly-owned subsidiary of the Company pursuant to Israeli statutory law.

In connection with the Reverse Takeover Transaction, the Company completed a private placement offering of 19,460,527 (on a pre-Share Consolidation (as defined below) basis) subscription receipts (each a “Subscription Receipt”) of a wholly-owned subsidiary of the Company (“Finco”) at a price of \$1.05 per Subscription Receipt for aggregate gross proceeds of \$20,433 (the “Financing”). Upon the satisfaction or waiver of, among other things, all of the condition precedents to the completion of the Reverse Takeover Transaction, each Subscription Receipt was exchanged for one unit of Finco (a “Finco Unit”) with each Finco Unit being comprised of one (1) common share of Finco (a “Finco Share”) and one-half of one (1/2) Finco Share purchase warrant (each whole warrant, a “Finco Warrant”). Each whole Finco Warrant was exercisable for one Finco Share at an exercise price of \$1.30 until October 11, 2021. Upon closing of the Reverse Takeover Transaction, the Finco Shares and Finco Warrants were exchanged on a 1:1 basis for Common Shares and Common Share purchase warrants (“Listed Warrants”) on economically equivalent terms. A total of 9,730,258 Listed Warrants were issued and listed for trading on the CSE under the ticker “IMCC.WT”. The Listed Warrants expired on October 11, 2021.

**Management's Discussion and Analysis** (Canadian dollars, in thousands)

In connection with the Financing, IMC Holdings granted to the agents who acted on its behalf, options to acquire 1,199,326 compensation units (the "2019 Compensation Units") at an exercise price of \$1.05 per 2019 Compensation Unit. Upon completion of the Reverse Takeover Transaction, the 2019 Compensation Units were exchanged for compensation options of the Company (the "2019 Compensation Options"). Each 2019 Compensation Option consists of one (1) Common Share and one-half of one (1/2) Common Share purchase warrant (the "Unlisted Warrants" and together with the Listed Warrants, the "Warrants") with each whole Unlisted Warrant exercisable for one (1) Common Share at an exercise price of \$1.30 until August 30, 2022, with such Unlisted Warrants issued as a result of exercises of 2019 Compensation Options and not listed for trading on any exchanges.

Upon the completion of the Reverse Takeover Transaction, the former holders of IMC Holdings held approximately 84.28% of the issued and outstanding Common Shares and the previous holders of Subscription Receipts held approximately 13.35% of the Common Shares, in each case, on a non-diluted basis.

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

On February 12, 2021, the Company's shareholders approved at a special meeting the consolidation of all the Company's issued and outstanding Common Shares on a four (4) to one (1) basis (the "Share Consolidation"). Following the Share Consolidation, the number of Listed Warrants, Unlisted Warrants, and 2019 Compensation Options outstanding was not altered; however, the exercise terms were adjusted such that four Listed Warrants were required to be exercised to purchase one Common Share following an adjusted exercise price of \$5.20, four (4) Unlisted Warrants are required to be exercised to purchase one (1) Common Share at an adjusted exercise price of \$5.20, and four 2019 Compensation Options are required to be exercised to purchase one (1) unit at an adjusted exercise price of \$4.20, with each unit exercisable into one (1) Common Share and one-half of one (1/2) Unlisted Warrant, with each whole Unlisted Warrant expiring on August 30, 2022 and exercisable to purchase one (1) Common Share at an exercise price of \$5.20. The consolidated financial statements give effect to the Share Consolidation for all periods presented.

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

As of September 30, 2021, and 2020, there were 7,362,762 and 9,729,735 Listed Warrants outstanding, respectively, re-measured by the Company, according to their trading price in the market, in the amount of \$74 and \$2,432, respectively. For the nine months ended September 30, 2021 and 2020, the Company recognized a revaluation gain (loss) of \$15,856 and \$(2,432), respectively. For the three months ended September 30, 2021 and 2020, the Company recognized a revaluation gain (loss) of \$3,154 and \$(973) in the consolidated statement of profit or loss and other comprehensive income, in which the unrealized gain is included in finance income (expense).

As of September 30, 2021, and 2020, there were 3,043,478 and nil Unlisted Warrants outstanding, respectively, re-measured by the Company, using the Black-Scholes pricing model, in the amount of \$6,451 and \$nil, respectively. For the nine months ended September 30, 2021 and 2020, the Company recognized a revaluation gain (loss) of \$5,381 and \$nil, respectively. For the three months ended September 30, 2021 and 2020, the Company recognized a revaluation gain (loss) of \$4,965 and \$nil in the consolidated statement of profit or loss and other comprehensive income, in which the unrealized gain is included in finance income (expense).

**Management's Discussion and Analysis** (Canadian dollars, in thousands)

During the nine months ended September 30, 2021, a total of 2,366,496 Listed Warrants were exercised for 591,624 Common Shares at an adjusted exercise price of \$5.20 per Common Share. As a result, the Company received a total amount of \$3,075.

During the nine months ended September 30, 2021, a total of 194,992 Unlisted Warrants were exercised for 48,748 Common Shares at an adjusted exercise price of \$5.20 per Common Share. As a result, the Company received a total amount of \$255.

During the nine months ended September 30, 2021, a total of 197,632 2019 Compensation Options were exercised for 49,408 Common Shares and 24,703 Unlisted Warrants. Consequently, the Company received an aggregate adjusted exercise amount of \$208.

**(ii) 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 propagate and cultivate medical cannabis in Israel.

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

As part of the IMC Restructuring, IMC Holdings and Focus entered into an agreement in which Focus shall use the IMC brand on an exclusive basis for the sale of any cannabis plant and/or cannabis product produced by Focus, either alone or together with other sub-contractors engaged by Focus (the "IP Agreement"). Focus is also obligated to exclusively use IMC Holdings for certain management and consulting services including: (a) business development services; (b) marketing services; (c) strategic advisory services; (d) locating potential collaborations on a worldwide basis; and (e) financial analysis services (the "Services Agreement" and collectively with the IP Agreement, the "Commercial Agreements").

Under the IP Agreement, IMC Holdings charges Focus an amount equal to 25% of its revenues on a quarterly basis, which shall not be changed without the consent of IMC Holdings, as consideration for Focus' use of certain trademarks, know-how, technology and maintenance services provided by IMC Holdings.

Under the Services Agreement, IMC Holdings charges Focus an amount equal to IMC Holdings' cost of providing certain services to Focus plus a 25% mark-up, which shall not be changed without the consent of IMC Holdings, as consideration for the provision of such services.

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

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

### **(iii) Regulatory Changes in Israel**

#### *Changes under the MOH Regulations*

Until September 2019, patients licensed for consumption of medical cannabis products by the IMCA received all of their medical cannabis products authorized under their respective licenses at a fixed monthly price of NIS 370, regardless of each patient's authorized amount. As an example, a patient who was to receive 20 grams of medical cannabis products per month would pay the same monthly fee of NIS 370 as a patient who received 180 grams per month. In addition, IMCA assigned patients to a particular licensed medical cannabis producer, from which each patient would exclusively receive their medical cannabis products. Under the previous medical cannabis regulations, Focus distributed approximately 80% of its medical cannabis products via home delivery and the remaining 20% via an IMCA-established distribution outlet.

Under the MOH's new regulations, medical cannabis products are delivered from a licensed producer to a manufacturer, which then delivers to a distributor to distribute to pharmacies. In addition, patients licensed for consumption of medical cannabis products are no longer exclusively assigned to medical cannabis producers and may purchase medical cannabis products from authorized pharmacies at a range of price points without any MOH-regulated price controls.

In light of the MOH's new regulations, some medical cannabis patient licenses granted under the previous regime are still valid. The medical cannabis patient licenses set to expire during the period from February 1, 2019 to July 31, 2019 were extended by order of the Israeli Supreme Court until further notice by the Court. While these licenses remain valid, the patients who hold these licenses are entitled to receive medical cannabis products pursuant to the price controls and supplier restrictions of the former regime. Additional information on the proceedings pursuant to which the above-referenced order was granted can be found under "Legal Proceedings and Regulatory Actions – Legal Proceedings – Supreme Court of Justice 2335/19".

Following the implementation of the above MOH's new regulations, the Group believes that the Israeli medical cannabis market will continue to benefit from price stability of the premium and super premium medical cannabis products, an increase to the number of physicians certified by the IMCA to prescribe medical cannabis and thus, an increase in the number of licensed medical cannabis patients.

#### Medical Cannabis Imports

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. According to Procedure 109, the following permits and licenses are required to receive a cannabis import license: (1) License to possess medical cannabis and operate in the medical cannabis industry; (2) License to import plant material; (3) Permit to import narcotic drugs; and (4) License to import a dangerous drug.



Medical Cannabis Exports

In October 2020, the MOH launched a new pilot program under which medical cannabis producers would be authorized to export medical cannabis products, subject to the requirement that certain products be made available at a fixed price of NIS 14 per gram to patients in Israel over the age of 21 and NIS 10 per gram to patients under the age of 21 (the "Pilot Program"). Products bearing the IMC brand were offered as part of the Pilot Program during the first and second quarter of 2021. The Pilot Program expired at the end of Q1 2021 and was not extended by the MOH.

In December 2020, the IMCA published guidelines for the medical cannabis export permit application process, pursuant to which an export permit will only be granted to an applicant if (i) sufficient domestic supply has been secured by such applicant in the variety and quantity that will meet the Israeli level of demand; (ii) the delivery of medical cannabis is made from approved sites; (iii) the applicant has a valid IMC-GDP certification and business license from the IMCA; and (iv) an import permit from the importing country is obtained and attached to the export application.

Legalization of Adult-Use Recreational Cannabis in Israel

As of the date of this MD&A, adult-use recreational cannabis use in Israel is illegal. In November 2020, an Israeli government committee responsible for advancing the cannabis market reform published a report supporting and recommending the legalization of adult-use recreational cannabis in Israel (the "Report"). Based on the Report, the Israeli Ministry of Justice was expected to formulate a bill to begin the legislative process towards the legalization of adult-use recreational cannabis. The government committee made its recommendation for legalization based on the increasing demand for adult-use recreational cannabis in Israel, the importance of maintaining quality standards and limiting uncontrolled products, the need for increased access to cannabis by medical patients and the objective of decreasing the size of the illegal market. The model proposed by the government committee in the Report is similar in nature to the model adopted in Canada, whereby the sale of adult-use recreational cannabis would be channeled through government-licensed dispensaries.

In December 2020, the governing Israeli parliament dissolved and the then-existing draft bill regarding the proposed legalization of adult-use recreational cannabis became defunct. However, the new government, formed on June 13, 2021, declared and settled in the coalition agreement, its commitment to legalization of adult-use recreational cannabis. Since the formation of the new government, several legislative initiatives were filed, including for the decriminalization of the possession of cannabis for individual recreational adult-use and the legalization of CBD for non-medical use. These initiatives were not accepted, however they are viewed as first steps towards more comprehensive legislation towards the legalization of adult-use recreational cannabis. Members of the Israeli government continue to affirm their commitment to the legalization of adult-use recreational cannabis.

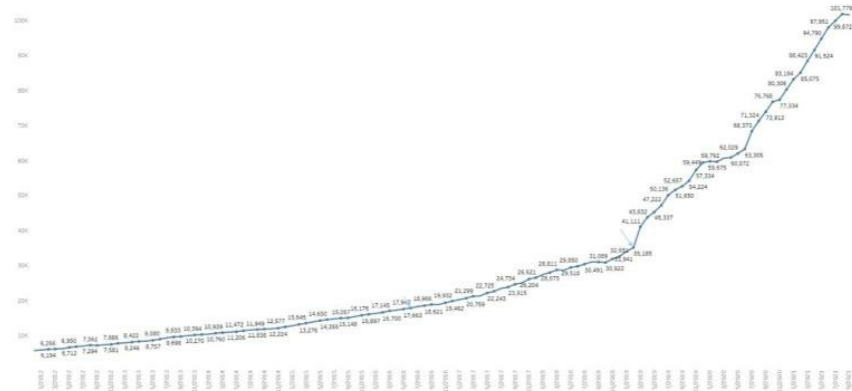
**(iv) Israeli Market**

The Israeli medical cannabis market has shown dramatic growth over the past several years. It is projected that this growth will continue and according to MOH estimates, the number of patients in Israel licensed by the MOH to consume medical cannabis is expected to reach approximately 120,000 by the end of 2021.

Israeli Market Development 2011-2021

According to MOH monthly publication, as of September 2021, there are 101,779 licensed patients in Israel, and a monthly prescription of 3,861,000 and 2,848,000 grams of cannabis were recorded in September 2021 and December 2020, respectively.

The below reflects the number of licensed medical cannabis patients in Israel over the year 2011 to September 2021<sup>3</sup>



(v) Canadian Market

On October 17, 2018, the *Cannabis Act* came into effect in Canada, regulating both medical and recreational cannabis. Under this legislation, cannabis cultivators and processors are licensed by Health Canada to cultivate, produce or sell cannabis products for medical and recreational consumption. Retail activities in the Canadian cannabis industry are licensed by the relevant provincial or territorial government. Consumers do not require a licence to purchase cannabis. In 2020, roughly 27% of Canadians surveyed by Statistics Canada had consumed cannabis in the past 12 months.<sup>5</sup> From October 2018 to August 2021, sales of legal recreational cannabis increased by roughly 750%, to nearly \$360,000,000 per month, and 20% from March 2021 to August 2021 alone.<sup>6</sup> While the Canadian market remains in its infancy, growth has been significant, due partially to the increasing availability of retail cannabis stores. As of October 2021, there were an estimated 2,500 cannabis stores in Canada.

<sup>3</sup> Israel Ministry of Health – licensed patients’ data as of September 2021 - <https://www.health.gov.il/Subjects/cannabis/Documents/licenses-status-september-2021.pdf>

<sup>4</sup> Ministry of Health – licensed patients’ data as of September 2021 - <https://www.health.gov.il/Subjects/cannabis/Documents/licenses-status-September-2021.pdf>

<sup>5</sup> Canadian Cannabis Survey 2020: Summary, <https://www.canada.ca/en/health-canada/services/drugs-medication/cannabis/research-data/canadian-cannabis-survey-2020-summary.html#a2>

<sup>6</sup> Retail trade sales by province and territory, <https://www150.statcan.gc.ca/t1/tb11/en/tv.action?pid=2010000801&pickMembers%5B0%5D=2.30&pickMembers%5B1%5D=3.1&cubeTimeFrame.startMonth=10&cubeTimeFrame.startYear=2018&cubeTimeFrame.endMonth=12&cubeTimeFrame.endYear=2021&referencePeriods=20181001%2C20211201>

<sup>7</sup> Looking back from 2020, how cannabis use and related behaviours changed in Canada <https://www.cannabisbenchmarks.com/report-category/Canada/>

**(vi) European Activity and the German Market**

The Company's European strategy is centered in Germany, whose medical cannabis market is currently considered the largest in Europe.<sup>8</sup> To develop its operations in Germany, on March 15, 2019, IMC Holdings acquired 100% of the outstanding shares of Adjupharm (the "Adjupharm Shares"), a licensed EU-GMP certified medical cannabis producer and distributor, for approximately \$1,400 (€924 as of the acquisition date) with additional obligations to the sellers including repayment of bank loans of up to \$1,030 (€680 as of the acquisition date). These bank loans were repaid by IMC Holdings in May 2019. The Company, through IMC Holdings, currently owns 90.02% of Adjupharm, with the balance owned by Adjupharm's Chief Executive Officer.

The Company continues to develop Adjupharm as its European hub and to expand its presence in the German market by forging partnerships with pharmacies and distributors across the country. The Company's objective is to capture a significant market share in Germany by working directly with pharmacies and with distributors to increase market reach for products bearing the IMC brand. The Company currently has approximately 8,000 square feet of warehousing and GMP Standard production capacity in Germany, following the recent completion of an expansion process of its facility to a new, state-of-the-art logistics centre, upgrading its production technology and increasing its storage capacity to seven tons of cannabis.

Adjupharm sources its supply of medical cannabis for the German market from various EU-GMP standard European and Canadian suppliers, and is actively seeking additional supply partners to diversify its source of supply of premium and super premium cannabis products and minimize the risks inherent in the supply chain.

Adjupharm relies on its sales and distribution agreements to supply and distribute IMC-branded products to distribution partners or directly to German pharmacies. There are approximately 19,000 community pharmacies in Germany, each of which is permitted to create and dispense medications, including medical cannabis, pursuant to physician prescriptions.<sup>9</sup> In the first quarter of 2021, Adjupharm completed the expansion of its internal and external sales department and is focused on increasing physician awareness and engagement to drive sales of IMC-branded medical cannabis products. In July 2021, Adjupharm was recognized by the German Brand Institute with the "German Brand Award 2021", recognizing its excellence in brand strategy and creation, communication and integrated marketing. The competitive advantage in Germany also lies in the Group's track record and brand reputation in Israel and proprietary data supporting the effectiveness of medical cannabis for the treatment of a variety of conditions.

The Company has also engaged in exploratory operations to expand to Portugal and Greece, by establishing a wholly-owned subsidiary in Portugal in October 2018, and a joint venture in Greece (25% owned by IMCC), however it has deferred any further investment in these jurisdictions indefinitely in light of the uncertainty related to COVID-19.

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<sup>8</sup> Health Europa, June 23, 2020, <https://www.healtheuropa.eu/exploring-growth-in-the-european-medical-cannabis-market/100849/>

<sup>9</sup> Federal Union of German Associations of Pharmacists: Figures Data Facts 2020.

**Management's Discussion and Analysis** (Canadian dollars, in thousands)

Due to the impact of the COVID-19 pandemic on Germany in the first quarter of 2021, the Company, through Adjupharm, leveraged its established distribution platform to enter into several reseller agreements of COVID-19 antigen test kits. Such engagement of Adjupharm facilitate and further enhance its business relationship with pharmacies in Germany and support its distribution platform for medical cannabis. Due to the evolving impact of COVID-19 worldwide, and in light of the uncertainty related to the demand for COVID-19 test kits in Germany, the Company is examining the potential demand for such test kits in Israel. For more information, please see "Strategic Developments".

**(vii) Investment in Xinteza**

On December 26, 2019, IMC Holdings entered into a share purchase agreement with Xinteza, a company with a unique biosynthesis technology, whereby the Company acquired, on an as-converted and fully diluted basis, 25.37% of Xinteza's outstanding share capital, for consideration of US\$1,700 (approximately \$2,300 as of September 30, 2021) paid in several installments (the "Xinteza SPA"). As of September 30, 2021, the Company has paid all outstanding installments pertaining to the Xinteza SPA and currently holds 23.35% of the outstanding share capital of Xinteza on an as-converted and fully diluted basis.

Under an exclusive license from Yeda Research & Development Company Ltd., the commercial division of the Weizmann Institute of Science, and based on disruptive plant genetics and metabolomics research led by Professor Asaph Aharoni, Xinteza has been developing advanced proprietary technologies relating to the production of cannabinoid-based active pharmaceutical ingredients for the pharmaceutical and food industries using biosynthesis and bio-extraction technologies.

**(viii) Strategic Developments:**

1. On July 9, 2021, the Company closed the MYM Transaction, implemented in accordance with the terms and conditions of the arrangement agreement dated March 31, 2021, between IMCC, MYM and Trichome, which resulted in the acquisition by IMCC of all of the issued and outstanding shares of MYM (the "MYM Shares") in exchange for 0.022 of a Common Share for each MYM Share. In connection with the MYM Transaction, a total of 10,073,437 Common Shares have been issued to the former holders of MYM Shares, resulting in former MYM shareholders holding approximately 15% of the total number of Common Shares at the time of issuance (based on 67,156,470 Common Shares issued and outstanding immediately after closing).
2. On July 28, 2021, IMC Holdings entered into a definitive agreement in respect of the Pharm Yarok Transaction. The aggregate consideration for the Pharm Yarok Transaction is NIS 11,900 (approximately \$4,600), of which NIS 3,500 (approximately \$1,300) shall be invested in the Company at closing by the shareholders of Pharm Yarok Group in exchange for Common Shares. Closing of the Pharm Yarok Transaction is conditional upon receipt of all requisite approvals, including from the MOH. Pharm Yarok is a leading medical cannabis pharmacy and trade company located in central Israel; Rosen High Way is a trade and distribution centre providing medical cannabis storage, distribution services and logistics solutions for cannabis companies and pharmacies in Israel; and HW Shinua is an applicant for a medical cannabis transportation license from the IMCA, the receipt of which would permit HW Shinua to transport large quantities of medical cannabis to and from Pharm Yarok's pharmacy and Rosen High Way's distribution centre and to and from third parties in the medical cannabis sector, including medical cannabis growing facilities, pharmacies, manufacturers and distribution centres across Israel.

**Management's Discussion and Analysis** (Canadian dollars, in thousands)

3. On July 30, 2021, in connection with the Panaxia Transaction, the Company issued the first installment of 142,007 Panaxia Consideration Shares at a price of US\$5.009 (approximately \$6.24) per Panaxia Consideration Share, representing an aggregate value equal to approximately US\$711 (approximately \$889), with up to four additional installments to follow. The issue price of the Panaxia Consideration Shares was calculated based on the average closing price of the Common Shares on NASDAQ over the 10 trading day period immediately preceding July 30, 2021.
4. On August 3, 2021, IMC Holdings and cbdMD executed a binding letter of intent that will grant IMC Holdings an exclusive right to import, sell, distribute and market cbdMD products in Israel using the cbdMD brand name and trademark, subject to the legalization of hemp-derived CBD for non-medical purposes in Israel.
5. On August 16, 2021, IMC Holdings entered into definitive agreement with Vironna in connection with the Vironna Transaction to acquire 51% of the issued and outstanding ordinary shares of Vironna for aggregate consideration of NIS 8,500 (approximately \$3,300), comprised of NIS 5,000 (approximately \$1,950) in cash and NIS 3,500 (approximately \$1,350) in Common Shares to be issued at closing date (the "Vironna Share Consideration"). Closing of the Vironna Transaction is conditional upon receipt of all requisite approvals, including from the MOH. To satisfy the Vironna Share Consideration, the Company will issue number of Common Shares calculated based on the average closing price of the Common Share on NASDAQ over the 14 trading day period immediately preceding the date of issuance. Vironna is a leading pharmacy licensed to dispense and sell medical cannabis to licensed medical cannabis patients, located in central Israel and is one of the leading pharmacies serving patients among the Arab population in Israel.
6. On August 19, 2021, Focus Medical Herbs Ltd., issued its first purchase order for approximately 220 kilograms of medical cannabis purchased from The Flowr Corporation ("Flowr"), under a three-year supply agreement entered into by Focus and Flowr on June 24, 2021. This order is expected to be exported to Israel in Q4 2021, subject to the satisfaction of applicable regulatory and import requirements. Flowr is a Canadian licensed producer of ultra-premium adult-use recreational and medical cannabis products.
7. On September 1, 2021, the Issuer issued the second instalment of 246,007 Panaxia Consideration Shares at a price of US\$3.68 (approximately \$4.64) per Panaxia Consideration Share, representing an aggregate value of US\$905 (approximately \$1,141). The issue price of the Panaxia Consideration Shares was calculated based on the average closing price of the Common Shares on NASDAQ over the 10 trading day period immediately preceding September 1, 2021.
8. On September 17, 2021, Adjupharm signed a five-year exclusive supply agreement for the German market with Zelira Therapeutics Ltd. ("Zelira"). Pursuant to the agreement, Adjupharm will distribute Zelira's Zenivol product in Germany. Zenivol is a proprietary cannabinoid-based medicinal product for treatment of chronic insomnia, supported by clinical data.

**Management's Discussion and Analysis** (Canadian dollars, in thousands)

9. On September 23, 2021, TJAC increased the limit on the revolving credit facility entered into with a private Canadian creditor on May 17, 2021 (the "Facility") from \$5,000 to \$7,500. The increase will be used to finance TJAC's receivables in order to manage the timing of its cash flows. The revised commitment from the private Canadian creditor is \$7,500, with an initial term of 12 months that can be extended upon the mutual agreement of both parties. Per annum interest is equal to the greater of (i) 9.75% and, (ii) the Toronto Dominion Bank prime rate, plus 7.30%. The Facility has a standby fee of 2.40% per annum, which is charged against the unused portion. Advanced amounts are secured against the assets of TJAC and Trichome, with Trichome providing a guarantee for the Facility. To maintain the Facility, TJAC must abide by certain financial covenants, such as the maintenance of a tangible net worth greater than \$5 million and a debt service coverage ratio of 2:1.

**Subsequent Events**

1. On October 15, 2021, the Issuer issued the third instalment of 248,212 Panaxia Consideration Shares at a price of US\$3.225 (approximately \$4.01) per Panaxia Consideration Share, representing an aggregate value equal to US\$800 (approximately \$996). The issue price of the Panaxia Consideration Shares was calculated based on the average closing price of the Common Shares on NASDAQ over the 10-trading day period immediately preceding October 1, 2021.

**Company Outlook***Israel*

In Israel, the Company, through the Commercial Agreements, continues to expand the IMC brand recognition, and, in association with Focus, supply the growing Israeli medical cannabis market with products bearing the IMC brand. With the expected high growth of the Israeli medical cannabis market, the Company is well positioned to benefit from its long-term presence and strong brand recognition, expecting a continued increase in revenues and profitability. In addition, the Company intends to enter, through its subsidiaries, additional segments of the medical cannabis market in Israel, including the distribution and retail segments, by completing the Panaxia Transaction, the Pharm Yarak Transaction, and the Vironna Transaction. Following the completion of the foregoing transactions, the Company expects vertical integration to increase its revenue and margins from its Israeli medical cannabis market activities, diversify its business opportunities and gain direct access to medical cannabis patients to benefit from market knowledge and trends. Furthermore, the Group is focused on diversifying its product portfolio with premium and super premium medical cannabis products, leveraging its Canadian cultivation facilities that are expected to provide additional opportunities to export premium cannabis products to Israel and Germany.

*Europe*

The Company's objective within Europe is to capitalize on the increasing demand for medical cannabis products and to bring the well-established IMC brand and its product portfolio to European patients. The Company's operating track record, accumulation of data and brand reputation in Israel is a competitive advantage in gaining traction within the German and European markets and building support among physicians who prescribe medical cannabis products.

## Management's Discussion and Analysis (Canadian dollars, in thousands)

## Canada

Following the successful completion of the acquisition of Trichome on March 18, 2021 (the "Trichome Transaction") and the MYM Transaction on July 9, 2021, IMCC plans to integrate and manage its assets in Canada with a goal of maximizing Company-wide revenue and margins.

Additionally, the Company will continue to drive organic growth from Canadian operations through active portfolio management of its products, additional SKU launches, boosting cultivation efficiency, and adding to the number of points of distribution across the country. The Company expects to continue to drive meaningful revenue growth in the near-term by diversifying its product portfolio under the WAGNERS and Highland Grow brands, including the introduction of new dried flower, pre-rolled, and hash SKUs in key Canadian markets.

## Overview of Financial Performance

	For the nine months ended September 30,		For the three months ended September 30,		For the Year ended December 31,
	2021	2020	2021	2020	2020
Net Revenues	\$ 34,272	\$ 10,990	\$ 14,393	\$ 5,893	\$ 15,890
Gross profit before fair value impacts in cost of sales	\$ 8,109	\$ 6,018	\$ 2,880	\$ 3,362	\$ 8,809
Gross margin before fair value impacts in cost of sales (%)	24%	55%	20%	57%	55%
Operating Loss	\$ (26,667)	\$ (1,862)	\$ (14,245)	\$ (671)	\$ (8,245)
Loss	\$ (6,030)	\$ (8,758)	\$ (5,656)	\$ 738	\$ (28,734)
Loss per share attributable to equity holders of the Company - Basic	\$ (0.10)	\$ (0.06)	\$ (0.06)	\$ 0.004	\$ (0.74)
Loss per share attributable to equity holders of the Company - Diluted (in CAD)	\$ (0.51)	\$ (0.06)	\$ (0.18)	\$ 0.004	\$ (0.74)

The Overview of Financial Performance includes reference to "gross margin", which is a non-IFRS financial measure. Non-IFRS measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. The Company defines gross margin as the difference between revenue and cost of revenues divided by revenue (expressed as a percentage), prior to the effect of a fair value adjustment for inventory and biological assets.

## Management's Discussion and Analysis (Canadian dollars, in thousands)

## Operational Results - Medical Cannabis

	For the Nine Months Ended September 30,		For the Three months ended September 30,		For the Year ended December 31,
	2021	2020	2021	2020	2020
Average net selling price of dried flower (per Gram)	\$ 4.56	\$ 5.50	\$ 4.85	\$ 5.49	\$ 5.75
Average net selling price of other cannabis products (per Gram)	\$ 5.30	-	\$ 6.31	-	-
Quantity harvested and trimmed (in Kilograms)	2,772	2,954	1,490	-	2,545
Quantity of other cannabis products sold (in Kilograms)	530	-	327	-	-
Quantity of dried flower sold (in Kilograms)	5,461	1,506	2,434	981	2,586

## Notes:

- (1) Including other cannabis products such as Kief, Hash and Pre-rolls.
- (2) Harvested flowers, after trimming and ready for manufacturing.

## Review of Operations for the Nine and Three Months Ended September 30, 2021 and 2020

Net Revenues

The Group operates in one reporting segment. The main revenues of the Group are generated from sales of medical cannabis products to customers in Israel and Germany as well as products to the recreational market in Canada.

Revenues for the nine months ended September 30, 2021 and 2020 were \$34,272 and \$10,990, respectively, representing an increase of \$23,282 or 212%. Revenues for the three months ended September 30, 2021 and 2020 were \$14,393 and \$5,893, respectively, representing an increase of \$8,500 or 144%. Total dried flower sold for the nine months ended September 30, 2021 was 5,461kg at an average selling price of \$4.56 per gram compared to 1,506kg for the nine months ended September 30, 2020 at an average selling price of \$5.50 per gram, derived mainly from the lower average selling price per gram the Company adopted with its new acquisitions in the Canadian market. Total dried flower sold for the three months ended September 30, 2021 was 2,434kg at an average selling price of \$4.85 per gram compared to 981kg for the three months ended September 30, 2020 at an average selling price of \$5.49 per gram. The increase in revenues related to dried flower for the nine and three months ended September 30, 2021 is attributable to deliveries made under the Focus' sales agreements to pharmacies, as well as to revenues generated from Adjupharm, consolidation of Trichome, MYM, and the Consolidated Entities according to the definitive agreement dates for each of the Consolidated Entities. Total other cannabis product sold for the nine months ended September 30, 2021 was 530kg at an average selling price of \$5.3 per gram compared to nil for the nine months ended September 30, 2020 at an average selling price of \$nil per gram. Total other cannabis product sold for the three months ended September 30, 2021 was 327kg at an average selling price of \$6.31 per gram compared to nil for the three months ended September 30, 2020 at an average selling price of \$nil per gram. The increase in revenues related to other cannabis products for the nine and three month ended September 30, 2021 is attributable to TJAC brands after the consolidation of Trichome activities.



**Management's Discussion and Analysis** (Canadian dollars, in thousands)Cost of Revenues

The cost of revenues includes the purchase of raw materials, production, product testing, shipping and sales related costs. At harvest, the biological assets are transferred to inventory at their fair value which becomes the deemed cost for the inventory. Inventory is later expensed to the cost of sales when sold. Direct production costs are expensed through the cost of sales.

The cost of revenues for the nine months ended September 30, 2021 and 2020 were \$26,163 and \$4,972, respectively, representing an increase of \$21,191 or 426%. Cost of revenues for the three months ended September 30, 2021 and 2020 were \$11,513 and \$2,531, respectively, representing an increase of \$8,982 or 355%. Cost of revenues is comprised of cultivation costs, purchase of materials and finished goods, utilities, salary expenses and import costs. Focus, Highland and TJAC expect net cost of sales to vary from quarter to quarter based on the number of pre-harvest plants, after harvest plants, the strains being grown and technological progress in the trimming machines.

Gross Profit

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

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

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

Gross profit for the nine months ended September 30, 2021 and 2020 was \$5,985 and \$9,961, respectively, representing a decrease of \$3,976 or 40%. For the three months ended September 30, 2021 and 2020 gross profit was \$1,525 and \$3,381, respectively, representing a decrease of \$1,856 or 55%. Gross profit included gains (losses) from unrealized changes in fair value of biological assets and realized fair value adjustments on inventory sold of \$(2,124) and \$3,943 for the nine months ended September 30, 2021 and 2020, respectively. Gains (losses) from unrealized changes in fair value of biological assets and realized fair value adjustments on inventory sold for the three months ended September 30, 2021 and 2020 were \$(1,355) and \$19, respectively. Gross profit was impacted primarily due to a delay in a certain shipment in TJAC that was scheduled to occur prior to quarter end but occurred at the beginning of October 2021. Given the largely fixed cost structure at TJAC, gross margins are sensitive to changes in revenue and are expected to increase with revenue growth.

Expenses**General and Administrative**

General and administrative expenses for the nine months ended September 30, 2021 and 2020 were \$22,634 and \$7,223, respectively, representing an increase of \$15,411 or 213%. For the three months ended September 30, 2021 and 2020, general and administrative expenses were \$10,246 and \$2,197, respectively, representing an increase of \$8,049 or 366%. The increase in the general and administrative is mainly attributable to the growing corporate activities in Israel, Canada, and Germany, professional services derived from legal fees and other consulting services, among other, in relation to the NASDAQ listing and M&A processes in the amount of \$8,838 (including share-based expenses to financial advisors of approximately \$1,301), salaries to employees in the amount of \$6,426, impairment of other receivables in the amount of \$570 and insurance costs in the amount of \$2,002.

**Selling and Marketing**

Selling and marketing expenses for the nine months ended September 30, 2021 and 2020 were \$4,654 and \$2,334, respectively, representing an increase of \$2,320 or 99%. For the three months ended September 30, 2021, selling and marketing expenses were \$2,169, compared to \$1,150 for the three months ended September 30, 2020, representing an increase of \$1,019 or 89%. The increase in the selling and marketing expenses was due mainly to the Company's increased marketing efforts in Israel and brand launch in Germany, as well as increased distribution expenses relating to the increase in sales, full quarter consolidation of Trichome's results and nearly a full quarter of consolidation of MYM's results.

**Research and Development**

Research and development expenses for the nine months ended September 30, 2021 and 2020 were \$10 and \$135, respectively, representing a decrease of \$125 or 93%. For the three months ended September 30, 2021 and 2020, research and development expenses were \$4 and \$1, respectively, representing an increase of \$3 or 300%. The decrease for the nine and three months ended September 30, 2021 was primarily associated with the COVID-19 pandemic, which caused delays in new projects.

**Share-Based Compensation**

Share-based compensation expense for the nine months ended September 30, 2021 and 2020 was \$5,354 and \$2,131, respectively, representing an increase \$3,223 or 151%. For the three months ended September 30, 2021 and 2020, share-based compensation expense was \$3,351 and \$704, respectively, representing an increase of \$2,647 or 376%. The increase was mainly due to the grant of new incentive stock options ("Options").

**Financing**

Financing income (expense), net, for the nine months ended September 30, 2021 and 2020 was \$20,812 and \$(5,975), respectively, representing an increase of \$26,787 or 448%. For the three months ended September 30, 2021 and 2020, financing income was \$8,224 and \$1,186, respectively, representing an increase of \$7,038 or 593%. The change was mainly due to \$21,169 finance income arising from valuation update of the Warrants and other financial instruments, which was affected by the Company's decreased share price.

**Management's Discussion and Analysis** (Canadian dollars, in thousands)

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**Depreciation and Amortization**

Depreciation and amortization expenses for nine months ended September 30, 2021, and 2020 were \$3,604 and \$672, respectively, representing an increase of \$2,932 or 436%. For the three months ended September 30, 2021 and 2020, Depreciation and amortization expenses were \$1,961 and \$244, respectively, representing an increase of \$1,717 or 704%. Depreciation and amortization expenses are impacted by the adoption of IFRS 16 Leases, depreciation of PP&E, as well as the amortization of intangible assets mainly following the acquisitions of Trichome and MYM this year.

**Net Income loss**

Net loss for the nine months ended September 30, 2021 and 2020 was \$(6,030) and \$(8,758), respectively, representing a net loss decrease of \$2,728 or 31%. For the three months ended September 30, 2021 and 2020, Net income (loss) was \$(5,656) and \$738 respectively, representing a net loss increase of \$6,394 or 866%. The net income decrease related to factors impacting net income from operations described above, and finance income driven by revaluation of Warrants and other financial instruments in the amount of \$21,169, which were recorded against liability on the grant day and were re-evaluated at September 30, 2021 through profit or loss.

**Net Income (Loss) per share Basic and Diluted**

Basic loss per share is calculated by dividing the net profit attributable to common shareholders of the Company 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 nine months ended September 30, 2021 and 2020 were \$(0.10) and \$(0.06) per Common Share, respectively. For the three months ended September 30, 2021 and 2020 were \$(0.06) and \$0.004 respectively.

Diluted Income (Loss) per Common Share for the nine months ended September 30, 2021 and 2020 were \$(0.50) and \$(0.06) per Common Share, respectively. Diluted Income (Loss) per Common Share for the three months ended September 30, 2021 and 2020 were \$(0.18) and \$0.004, respectively.

**Total Assets**

Total assets as at September 30, 2021 were \$275,387, compared to \$38,116 as at December 31, 2020, representing an increase of \$237,271 or 622%. This increase was primarily due to the consolidation of Trichome, MYM, and the Consolidated Entities, leading to recognition of goodwill and intangible assets of an aggregate amount of approximately \$121,143, property plant and equipment of approximately \$22,741, increase in right-of-use assets of approximately \$15,667 and approximately \$12,932 of working capital. Additional increase of \$39,622 in cash derived from the Company's financing round at May 2021.

Total Liabilities

Total liabilities as at September 30, 2021 were \$64,408, compared to \$25,506 at December 31, 2020, representing an increase of \$38,902 or 153%. The increase was primarily due to an increase of \$7,577 in other accounts payable and accrued expenses, an increase of \$5,594 in purchase consideration payable and an increase of \$17,176 in lease liabilities.

Intangible Assets

1. On March 15, 2019, IMC Holdings acquired Adjupharm, a licensed EU-GMP producer with wholesale, narcotics handling and import/export licenses for medical cannabis. As part of its global expansion and penetration plan into the European market, IMCC acquired 100% of Adjupharm's issued and outstanding shares for €924 (approximately \$1,400). Through the acquisition of Adjupharm, the Company recognized \$1,287 in intangible assets and goodwill. The goodwill arising on the acquisition was attributed to the expected benefits from the synergies of the combination of the activities of the Company and Adjupharm.

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

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

2. On March 18, 2021, the Trichome Transaction was completed pursuant to the terms and subject to the conditions of arrangement agreement dated December 30, 2020, whereby the Company agreed to acquire all the issued and outstanding securities of Trichome pursuant to a statutory plan of arrangement under the *Business Corporations Act* (Ontario). As a result of the Trichome Transaction, the businesses of IMCC and Trichome have been combined. Upon completion of the Trichome Transaction, the total Common Share consideration valued at approximately \$99,028. Through the acquisitions of Trichome, the Company recognized goodwill of approximately \$66,769 and intangible assets, primarily the cultivation license, worth approximately \$6,458 (based on a preliminary purchase price allocation study). The goodwill arising on acquisition is attributed to the expected benefits from the synergies of the combination of the activities of the Company and Trichome, as well as value attributed to the assembled workforce, which is included in goodwill. The goodwill recognized is not expected to be deductible for income tax purposes.

The Company recognized the fair value of the assets acquired and liabilities assumed in the business combination according to a provisional measurement. As of the date of the approval of the Interim Financial Statements, a final valuation for the fair value of the identifiable assets acquired and liabilities assumed by an external valuation specialist has not been obtained. The purchase consideration and the fair value of the acquired assets and liabilities may be adjusted within 12 months from the acquisition date. At the date of final measurement, adjustments are generally made by restating comparative information previously determined provisionally.

**Management's Discussion and Analysis** (Canadian dollars, in thousands)

3. On July 9, 2021, the Company acquired all the issued and outstanding shares of MYM. As a result, the company recognized goodwill of approximately \$41,192 and intangible assets, primarily brand name and customer relationships, worth approximately \$17,200 (based on a preliminary purchase price allocation study). The goodwill arising on acquisition is attributed to the expected benefits from the synergies of the combination of the activities of the Company and MYM, as well as value attributed to the assembled workforce, which is included in goodwill. The goodwill recognized is not expected to be deductible for income tax purposes.

The Company recognized the fair value of the assets acquired and liabilities assumed in the business combination according to a provisional measurement. As of the date of the approval of the Interim Financial Statements, a final valuation for the fair value of the identifiable assets acquired and liabilities assumed by an external valuation specialist has not been obtained. The purchase consideration and the fair value of the acquired assets and liabilities may be adjusted within 12 months from the acquisition date. At the date of final measurement, adjustments are generally made by restating comparative information previously determined provisionally.

**Liquidity and Capital Resources**

For the nine months ended September 30, 2021, the Company generated revenues of \$34,272, received \$39,622 in net proceeds from issuance of share capital at the Company's financing round in May 2021, and \$3,672 in proceeds from the exercises of Warrants, 2019 Compensation Options and Options.

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

	Uses of Available Funds (Net)	Amount (\$)
CAPEX Activities		4,340
M&A and investments		14,880
Working capital		11,750
General corporate activities		8,652
<b>TOTAL</b>		<b>39,622</b>

The Company believes that the generated cash flow from working capital in the different jurisdictions on which it operates, as well as the additional expected exercises of Unlisted Warrants and future financing rounds will meet all its future requirements. In evaluating its capital requirements, including the impact, if any, on the Company from the COVID-19 pandemic, and the ability to fund the execution of its strategy, the Company believes it has adequate availability to meet its working capital and other operating requirements, fund growth initiatives and capital expenditures, settle its liabilities, and repay scheduled principal and interest payments on debt for at least the next twelve months.

## Management's Discussion and Analysis (Canadian dollars, in thousands)

The Company has ensured that it has access to public capital markets through its CSE and NASDAQ listings and continues to review and pursue selected external financing sources to ensure adequate financial resources. These potential sources include, but are not limited to, (i) obtaining financing from traditional or non-traditional investment capital organizations and (ii) obtaining funding from the sale of the Company's securities. There can be no assurance that we will gain adequate market acceptance for our products or be able to generate sufficient positive cash flow to achieve our business plans. We expect to continue funding these purchases with our available cash, cash equivalents and short-term investments. Therefore, we are subject to risks including, but not limited to, our inability to raise additional funds through financings to support our continued development, including capital expenditure requirements, operating requirements and to meet our liabilities and commitments as they come due. As at September 30, 2021, the Company had a working capital surplus of \$43,568, compared to working capital of \$20,874 as at December 31, 2020. The increase in working capital of \$22,694 was primarily due to increase in inventory, trade and other receivables, offset by trade and other payables including purchase consideration payable. As of September 30, 2021, the Company had a cash balance of \$17,116.

As at September 30, 2021, the Group's financial liabilities consisted of accounts payable and other accounts payable which have contractual maturity dates within one year. The Group manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Group's working capital position at September 30, 2021, management considers liquidity risk to be low.

As at September 30, 2021, the Group has identified the following liquidity risks related to financial liabilities (undiscounted):

	Less than one year	1 to 5 years	6 to 10 years	> 10 years
Lease liabilities	\$ 2,791	\$ 11,023	\$ 12,202	\$ 3,224

The maturity profile of the Company's other financial liabilities (trade payables, other account payable and accrued expenses, and warrants) as of September 30, 2021 are less than one year.

Contractual Obligations	Total	Payments Due by Period			
		Less than one year	1 to 3 years	4 to 5 years	After 5 years
Debt	\$ 5,863	\$ 5,863	\$ -	\$ -	\$ -
Finance Lease Obligations	\$ 29,495	\$ 2,916	\$ 5,863	\$ 5,281	\$ 15,435
Operating Leases	\$ 122	\$ 112	\$ 10	\$ -	\$ -
Purchase Obligations	\$ 9,959	\$ 9,959	\$ -	\$ -	\$ -
Other Obligations	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Contractual Obligations</b>	<b>\$ 45,439</b>	<b>\$ 18,850</b>	<b>\$ 5,873</b>	<b>\$ 5,281</b>	<b>\$ 15,435</b>

**Management's Discussion and Analysis** (Canadian dollars, in thousands)

The Interim Financial Statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Interim Financial Statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

**Share Capital**

The Company's authorized share capital consists of an unlimited number of Common Shares without par value, 67,838,041 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 having one voting right on all matters. The Common Shares also allow holders to receive dividends if and when declared and to participate in the distribution of surplus assets in the case of liquidation of the Company.

As of September 30, 2021, the Company also has the following outstanding securities which are convertible into, or exercisable or exchangeable for, voting or equity securities of the Company: 5,555,745 Options, 1,840,690 Listed Warrants, 3,060,344 Unlisted Warrants and 252,905 2019 Compensation Options.

**Operating, Financing and Investing Activities**

The following table highlights the Company's cash flow activities for the nine and three months ended September 30, 2021 and 2020 and year ended December 31, 2020:

Net cash provided by (used in):	For the Nine Months Ended September 30,		For the three months ended September 30,		For the Year ended December 31,
	2021	2020	2021	2020	2020
Operating activities	\$ (39,134)	\$ (7,384)	\$ (16,123)	\$ (2,077)	\$ (7,919)
Investing activities	\$ (1,930)	\$ (3,237)	\$ (6,001)	\$ (1,642)	\$ (4,075)
Financing activities	\$ 45,938	\$ 6,238	\$ 2,417	\$ 251	\$ 6,740
Effect of foreign exchange	\$ 3,357	\$ 194	\$ 2,773	\$ (16)	\$ 213
Increase (Decrease) in cash	\$ 8,231	\$ (4,189)	\$ (16,934)	\$ 3,484	\$ (5,041)

Operating activities used cash of \$39,134 and \$7,384 for the nine months ended September 30, 2021 and 2020, respectively. For the three months ended September 30, 2021 and 2020, operating activities used cash of \$16,123 and \$2,077, respectively. This variance is primarily due to increase in the business activities of the Company including corporate expenses for salaries, professional fees and marketing expenses in Israel, Germany and Canada as well as costs related to the NASDAQ listing and M&A processes. In the nine months ended September 30, 2021, cash was primarily used to increase operating activities in connection with the Company's operations in Canada and the NASDAQ listing and M&A processes.

## Management's Discussion and Analysis (Canadian dollars, in thousands)

Investing activities used cash of \$1,930 and \$3,237 for the nine months ended September 30, 2021 and 2020, respectively. For the three months ended September 30, 2021 and 2020, investing activities used cash of \$6,001 and \$1,642, respectively. Cash was used primarily as consideration for the M&A transaction costs and to enhance production and purchase equipment for Focus, Adjupharm, Highland and TJAC.

Financing activities used cash of \$45,938 and \$6,238 for the nine months ended September 30, 2021 and 2020, respectively. For the three months ended September 30, 2021 and 2020, financing activities used cash of \$2,417 and \$251, respectively. Most of the cash was derived from the Company's financing round in May 2021 in the amount of \$39,622.

## Selected quarterly financial information

For the three months ended	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Net Revenues	\$ 14,393	\$ 11,112	\$ 8,767	\$ 4,900
Net income (Loss)	\$ (5,656)	\$ (5,089)	\$ 4,715	\$ (19,976)
Basic net income (Loss) per share (in CAD):	\$ (0.06)	\$ (0.10)	\$ 0.11	\$ (0.50)
Diluted net loss per share (in CAD):	\$ (0.18)	\$ (0.23)	\$ (0.06)	\$ (0.50)

For the three months ended	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Net Revenues	\$ 5,893	\$ 3,757	\$ 1,340	\$ 2,479
Net income (Loss)	\$ 738	\$ (9,696)	\$ 200	\$ 1,693
Basic net income (Loss) per share (in CAD):	\$ 0.004	\$ (0.52)	\$ (0.003)	\$ 0.015
Diluted net income (Loss) per share (in CAD):	\$ 0.004	\$ (0.52)	\$ (0.003)	\$ 0.015

On a quarterly basis, apart from the results of the first quarter of 2020 which were considered by the Company as preparation period for successful delivery of medical cannabis products under the Focus' sales agreement to pharmacies, and the results of the fourth quarter of 2020 which were affected by the COVID-19 outcomes on the German market, the Company has consistently increased revenues, which reflects the Company's expansion strategy.

## Metrics and Non-IFRS Financial Measures

This MD&A makes reference to certain non-IFRS financial measures including "Gross Margin", "EBITDA", and "Adjusted EBITDA". These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should neither be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.



## Management's Discussion and Analysis (Canadian dollars, in thousands)

Management defines EBITDA as income earned or lost from operations, as reported, before interest, tax, depreciation and amortization. Adjusted EBITDA is defined as EBITDA, adjusted by removing other non-recurring or non-cash items, including the unrealized change in fair value of biological assets, realized fair value adjustments on inventory sold in the period, share-based compensation expenses, and revaluation adjustments of financial assets and liabilities measured on a fair value basis. Management believes that Adjusted EBITDA is a useful financial metric to assess its operating performance on a cash adjusted basis before the impact of non-recurring or non-cash items. The Company defines gross margin as the difference between revenue and cost of goods sold divided by revenue (expressed as a percentage), prior to the effect of a fair value adjustment for inventory and biological assets.

These non-IFRS financial measures can provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. Our management also uses these non-IFRS financial measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. As required by Canadian securities laws, we reconcile these non-IFRS financial measures to the most comparable IFRS measures.

	For the Nine Months Ended September 30,		For the three months ended September 30,		For the Year ended December 31,	
	2021*	2020	2021*	2020	2020	2019
Operating Loss	\$ (26,667)	\$ (1,862)	\$ (14,245)	\$ (671)	\$ (8,245)	\$ (10,275)
Depreciation & Amortization	\$ 3,604	\$ 672	\$ 1,961	\$ 244	\$ 930	\$ 601
<b>EBITDA</b>	\$ (23,063)	\$ (1,190)	\$ (12,284)	\$ (427)	\$ (7,315)	\$ (9,674)
IFRS Biological assets fair value adjustments, net	\$ 2,124	\$ (3,943)	\$ 1,355	\$ (19)	\$ (1,659)	\$ 384
Share-based payments	\$ 5,354	\$ 2,131	\$ 3,351	\$ 704	\$ 3,382	\$ 2,677
Non-recurring costs related to the RTO	-	-	-	-	-	\$ 3,632
Costs related to the NASDAQ listing	\$ 1,261	-	-	-	\$ 175	-
Other Non-recurring costs	\$ 570	\$ 525	\$ 570	-	\$ 520	\$ 1,167
<b>Adjusted EBITDA (Non-IFRS)<sup>1</sup></b>	\$ (13,754)	\$ (2,477)	\$ (7,008)	\$ 258	\$ (4,897)	\$ (1,814)

Notes:

- (1) Acquisition costs, in the amount of \$4,327 and \$1,620 for the nine and three months ended September 30, 2021, respectively, have not been adjusted in the above-mentioned table. Had these non-operational acquisition costs been adjusted, the Company's Adjusted EBITDA for the nine and three months ended September 30, 2021 would have been \$(9,427) and \$(5,388), respectively.

**Management's Discussion and Analysis** (Canadian dollars, in thousands)

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Adjusted EBITDA for the nine months ended September 30, 2021 and 2020 was \$(13,754) and \$(2,477), respectively, representing a decrease of \$11,277. Adjusted EBITDA for the three months ended September 30, 2021, and 2020 was \$(7,008) and \$258, respectively, representing a decrease of \$7,266. The Company's Adjusted EBITDA for the nine months ended September 30, 2021 decreased primarily due to the previously disclosed delays in contracted shipments to Germany from its primary supply partner as well as temporary production constraints in Canada during the second quarter of 2021 and integration costs for acquisitions in Canada and Israel. Additional impact on the adjusted EBITDA derived from general and administrative costs mainly attributable to the growing corporate activities in Israel, Germany, and Canada, professional services derived from legal fees and other consulting services, M&A transaction costs, salaries to employees and increased insurance costs upon listing on NASDAQ. Adjusted EBITDA is expected to climb with the full integration of Trichome and MYM as well as the consolidation of the newly acquired retail activities in Israel.

**Contingent Liabilities and Commitments****(i) Rental Liabilities**

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

On December 1, 2016, Focus signed an additional agreement with the Farmer, extending the Focus Facility by an additional area of 6,000 square meters for the cultivation and processing of medical cannabis.

On October 29, 2019, Focus signed with the Farmer an additional agreement for the extension of the Focus Facility by an additional area of 7,500 square meters for the cultivation and processing of medical cannabis.

In April 2021, IMC entered into a lease agreement with Kibutz Gil Yam for the Company's head office.

In July 2021, IMC entered into a sublease agreement for facility space to perform certain activities acquired under the Panaxia Transaction.

Through the Trichome Transaction, the Company acquired two cultivation and processing facilities in Ontario, Canada, the leases of which expire in 2026 and 2033.

**(ii) Class Action T.Z. 35676-08-19**

On August 19, 2019, a motion was filed for approval of a class action (the "Motion") against 17 companies (the "Companies") operating in the field of medical cannabis in Israel, including Focus. The applicant's argument is that the Companies did not accurately mark the concentration of active ingredients in their products. The personal suit sum for every class member stands at NIS 15,585 (\$5,900) and the total amount of the class action suit is estimated at NIS 686,000 (\$259,000). On June 2, 2020, the Companies submitted their response to the Motion. The Companies argue in their response that the threshold conditions for approval of a class action were not met, since there is no reasonable possibility that the causes of action in the Motion will be decided in favor of the class group. On July 3, 2020, the applicant submitted his response to the Companies' response. On July 5, 2020 the applicant was absent from the hearing. As a result, on July 23, 2020, the Companies filed an application for a ruling of expenses, which received a response from the applicant on August 12, 2020, asking to decline this request. On September 21, 2020, the court ruled that the applicant would pay the Companies' expenses amount of NIS 750. On July 14, 2021 a hearing was held. The court recommended the parties to negotiate independently to avoid litigation, and if negotiations fail, then to begin mediation proceedings. The parties agreed to follow the court's recommendations, though the negotiations between the parties have not yet begun.

At this preliminary stage, based on the opinion of its legal counsel, Focus' management cannot assess the chances of approval of the Motion nor the chances of the claims under the Motion being accepted if the Motion is approved. Therefore, no provision has been recorded in respect thereof.

**(iii) Supreme Court of Justice 2335/19**

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

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

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

On March 8, 2020, the court decided to extend the validity of the interim injunction, so that the medical cannabis use licenses, which were extended under the decision, would continue to be valid until May 15, 2020, or 10 days after the date the MOH comes to a conclusion regarding the price control of medical cannabis products, whichever comes first, subject to another court decision.

**Management's Discussion and Analysis** (Canadian dollars, in thousands)

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

On October 29, 2020, the respondents represented by the State Attorney's Office filed an update notice stating that the Appeals Committee unanimously decided against imposing price controls on medical cannabis products and that the Prices Committee would hold a follow-up hearing in four months. The respondents also requested to update the Court again in two months.

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

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

On April 25, 2021, the petitioner filed a response to the update notice to the court, objecting to the position of the respondents represented by the State Attorney's Office, requesting the court to resolve as requested in the petition and grant the requested remedies to the petitioner. On July 6, 2021, the petitioner filed an urgent request to the court, to issue orders to the respondents represented by the State Attorney's Office, to request information from corporations engaged in the medical cannabis market in order to continue the examination of the market, according to the Prices Committee's announcement mentioned above, and requested the court to reschedule the hearing set to occur on September 19, 2021, to an earlier date. The petitioner's request was rejected by the court on July 7, 2021, and on September 19, 2021, a hearing was held. Currently, the court has not yet issued any ruling.

Based on the opinion of its legal counsel, Focus' management estimates that the chances of the petition to be accepted by the court are 50% and at this stage no adverse outcome is expected; therefore, no provision has been recorded in respect thereof.

**(iv) Planning and Construction 66813-06-21**

On July 11, 2021, the Company was informed that a claim (the "Construction Proceedings") was filed by the municipal committee presiding over planning and construction in southern Israel (the "Construction Committee") against Focus, Focus' directors and officers, and certain landowners, including Oren Shuster and Rafael Gabay, claiming for inadequate permitting for construction relating to the Focus Facility ("Construction Allegations"). A hearing was set to December 1, 2021.

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

**Off-Balance Sheet Arrangements**

IMCC had no off-balance sheet arrangements as at September 30, 2021.

**Transactions with Related Parties**

Trichome, through a management service agreement, provided investment management services to the Fund during the quarter ended September 30, 2021. Under IFRS 10, the Fund is an equity accounted investment and therefore is not consolidated with the results of the Company.

Other than the investment management activities noted above, the Company had no other transactions with related parties outside of the group except those pertaining to transactions with key management personnel and shareholders in the ordinary course of their employment or directorship. Transactions with related parties for the sale of Focus due to the restructuring process were adjusted in the Company's consolidated financial statements following the application of IFRS 10.

**Proposed Transactions**

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

**Critical Accounting Estimates**

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

a. Judgments*Determining the fair value of share-based payment transactions*

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

*Discount rate for a lease liability*

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

b. Estimates and assumptions

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

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

*Assessment of going concern*

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

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

*Biological assets and inventory*

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

*Business combinations*

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

**Management's Discussion and Analysis** (Canadian dollars, in thousands)

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*Impairment of property, plant and equipment and finite life intangible assets*

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

*Impairment of intangible assets with indefinite life and goodwill*

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

*Legal claims*

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

**Management's Discussion and Analysis** (Canadian dollars, in thousands)

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*Deferred tax assets*

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

*Valuation of loans receivable*

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

*Derecognition and modification of loans receivable*

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

*Share-based payments*

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

*Equity accounted investees*

Significant judgment is used by the Company in assessing control of the Company's investment in its equity accounted investee – the Fund. Although not holding more than a 20% stake in the Fund, the Company concluded that significant influence exists under IFRS 10 based on the Company's management of day-to-day operations of the business and overall investment management.

*Estimated useful lives and depreciation/amortization of property and equipment, as well as intangible assets*



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

*Leases*

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

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

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

*Revenue recognition*

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

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

**Risk Factors**

The Company has implemented risk management governance processes that are led by the board of directors, with the active participation of management, and updates its assessment of its business risks on an annual basis. Notwithstanding, it is possible that the Company may not be able to foresee all the risks that it may have to face. The market in which IMCC currently competes is complex, competitive and changing rapidly. Sometimes new risks emerge, and management may not be able to predict all of them or be able to predict how they may cause actual results to be different from those contained in forward looking statements. Readers of this MD&A should not rely upon forward looking statements as a prediction of future results.

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The following risk factors have been identified by management:

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

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

**(ii) Consolidation of Focus Financial Results under IFRS 10 and Maintenance of Common Control**

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

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

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

- (a) the Company receives economic benefits from Focus (and the terms of the Commercial Agreements cannot be changed without the approval of the Company);
- (b) the Company having the option to purchase the divested 74% interest in Focus held by Oren Shuster, the Chief Executive Officer, director and a promoter of the Company, and Rafael Gabay, a consultant promoter and former director of the Company;
- (c) Messrs. Shuster and Gabay each being a director of Focus (while Mr. Shuster concurrently being a director, officer and substantial shareholder of the Company and Mr. Gabay concurrently being a substantial shareholder of the Company); and
- (d) the Company provides management and support activities to Focus through the Services Agreement.

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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.

**(i) Ownership of Focus**

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

**(ii) Possible Direct Involvement in the Israeli Cannabis Industry**

Neither the Company nor any of its subsidiaries currently hold, directly or indirectly, any licenses to engage in the propagation, cultivation, production, processing, distribution or sale of medical cannabis products in Israel (the "Cannabis Activities"). 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 MOH, 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 ("Future Material Holders") following the grant of the applicable license. Therefore, any direct engagement of the Company in Cannabis Activities will require the aforementioned approvals by the IMCA and will apply, upon such approval and granting of a license, limitations on future security holdings, as described above.

Furthermore, due to the uncertainty related to the broad administrative discretion over the activities in the medical cannabis industry in Israel granted to the IMCA, the IMCA Pre-Approval Requirement and the restrictions on security holdings discussed in this risk factor may apply to the Company and its shareholders by virtue of a subsidiary or investee engaging in Cannabis Activities. In such cases, 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.

Following the anticipated completion of the acquisition of the Panaxia IMC-GDP License pursuant to the Panaxia Transaction, the Pharm Yarok Transaction and the Vironna Transaction, the Company will be considered to be engaging in Cannabis Activities under Israeli cannabis regulations, which the Company expects will necessitate compliance with the IMCA Pre-Approval Requirement. In addition, the IMCA Pre-Approval Requirement may apply to the Company, as the sole shareholder of IMC Holdings, and may require all of its directors, officers, Material Holders, and Future Material Holders to comply with the IMCA Pre-Approval Requirement following the Company's anticipated receipt of the Panaxia IMC-GDP License and the holdings of Pharm Yarok Group and Vironna.

**Management's Discussion and Analysis** (Canadian dollars, in thousands)

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Although the Company believes that it will meet the IMCA Pre-Approval Requirement in connection with its future engagement in Cannabis Activities, including the anticipation of receiving the Panaxia IMC-GDP License, and the Panaxia Pharmacy Licenses if acquired upon exercising the Panaxia Option, the completion of the Pharm Yarok Transaction and the Vironna Transaction, there can be no guarantee that such requirements will be met or that the Company will be able to comply on an ongoing basis. If any of the directors, officers, Material Holders or Future Material Holders of IMC Holdings or the Company, as applicable, fail to comply with the IMCA Pre-Approval Requirement while IMC Holdings or the Company, as applicable, are engaging in Cannabis Activities, any licenses to engage in Cannabis Activities then acquired may be revoked, suspended or otherwise affected. Any change to the status of any license as a result of failing to comply with the IMCA Pre-Approval Requirement, including Future Material Holders failing to obtain sufficient approvals, may result in a material adverse effect on the Company's business, financial condition, results of operations and prospects.

**(iii) Limited Operating History**

The Company did not generate revenue from the sale of cannabis products until late 2019. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

**(iv) Negative Cash Flows**

During the nine months Ended September 30, 2021, the Company had negative cash flows from operating activities. Although the Company expects to generate positive cash flows from its future operating activities, there is no assurance that it will achieve this objective. If operational cash flows continue to be negative, the Company may be required to fund future operations with alternative financing options such as offerings of securities. Continued negative cash flow may restrict the Company's ability to pursue its business objectives.

**(v) Additional Financing**

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

**(vi) No Control over Cannabis Operations of Investees**

The Company's investees generally have the power to determine the manner in which their respective businesses are developed, expanded and operated. The interests of the Company and its investees may not always be aligned. As a result, the cash flows of the Company are dependent upon the activities of its investees, which creates the risk that at any time those investees may: (i) have business interests or targets that are inconsistent with those of the Company; (ii) take action contrary to the Company's policies or objectives; (iii) be unable or unwilling to fulfill their obligations under their agreements with the Company; or (iv) experience financial, operational or other difficulties, including insolvency, which could limit or suspend an investee's ability to perform its obligations under its agreements with the Company. The Company must rely on the accuracy and timeliness of the disclosure and information it receives from its investees. If the information contains material inaccuracies or omissions, the Company's ability to accurately forecast or achieve its stated objectives may be materially impaired. Failure to receive Company's entitlements pursuant to the agreements it has entered into may have a material adverse effect on the Company.

**(vii) Compliance with Laws**

The Group's and its investees' operations are subject to various laws, regulations and guidelines. The Group endeavors to and cause its investees to comply with all relevant laws, regulations and guidelines. However, there is a risk that the Group's and its investees' interpretation of laws, regulations and guidelines, including, but not limited to the *Cannabis Act (Canada)* (the "Cannabis Act"), the regulations thereunder and applicable stock exchange rules and regulations, may differ from each other, and the Group's and its investees' operations may not be in compliance with such laws, regulations and guidelines. In addition, achievement of the Group's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and, where necessary, obtaining regulatory approvals. The impact of regulatory compliance regimes, any delays in obtaining, or failure to obtain regulatory approvals required by the Group or its investees may significantly delay or impact the development of the Group's business and operations and could have a material adverse effect on the business, results of operations and financial condition of Group. Any potential noncompliance could cause the business, financial condition and results of operations of the Group to be adversely affected. Further, any amendment to or replacement of the Cannabis Act or other applicable rules and regulations governing the activities of the Group, or its investees may cause adverse effects to Group's operations. The risks to the business of Group and its investees associated with the decision to amend or replace the Cannabis Act and subsequent regulatory changes, could reduce the addressable market for the Group's or the investees' products and could materially and adversely affect the business, financial condition and results of operations of the Group.

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

**Management's Discussion and Analysis** (Canadian dollars, in thousands)

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

**(viii) Regulation of the Cannabis Industry**

The cannabis-related business and activities of the Group are heavily regulated in all jurisdictions where it carries on business. The Group's operations are subject to various laws, regulations and guidelines by governmental authorities, particularly the MOH and The Federal Opium Agency of Germany's Federal Institute for Drugs and Medical Devices (the "BfArM"), relating to the manufacturing, marketing, management, transportation, distribution, storage, sale, pricing and disposal of medical cannabis and cannabis oil, and also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. In Canada, the regulation on access to cannabis for medical purposes was established by Health Canada in July 2001. The *Cannabis Act*, which came into force on October 17, 2018, currently governs the production, sale and distribution of medical and recreational cannabis and related oil extracts in Canada and provides for the regulation by the Canadian federal government of, among other things, the commercial cultivation and processing of cannabis for recreational purposes. The *Cannabis Act* also authorizes Canadian provinces and territories to regulate other aspects of recreational cannabis, such as distribution, sale, minimum age requirements, places where cannabis can be consumed, and a range of other matters. The governments of each Canadian province and territory have implemented regulatory regimes for the distribution and sale of cannabis for recreational purposes.

Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Group, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Group's products and services. Achievement of the Group's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the production and sale of its products.

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

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

**(ix) Environmental and Employee Health and Safety Regulations**

The Group's operations are subject to environmental and occupational safety laws and regulations in certain jurisdictions, concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and nonhazardous materials and wastes, and employee health and safety. The Group incurs ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Any failure to comply or maintain compliance with environmental and occupational safety laws and regulations may result in additional costs for corrective measures, penalties or restrictions on manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Group's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Group. This is particularly relevant for Focus, TJAC, Highland, Sublime and Adjupharm as these entities engage in cannabis-related operations that may be more prone to environmental and employee safety issues. Any changes to current laws and regulations may require substantial investments by the Group in order to comply with such changes. If substantial investments are required, there may be a material adverse effect on the Group's operations, financial condition and operating results.

**(x) Reliance on License and Permit Renewals**

Focus, Adjupharm, TJAC, Highland and Sublime are dependent on the Focus License, Adjupharm Licenses, TJAC License and MYM Licenses (together, the "Key Licenses"), respectively, and the need to maintain such Key Licenses in good standing. Failure to comply with the requirements or maintenance of any of the Key Licenses may have a material adverse effect on the business, financial condition and operating results of the Group. As of the date of this MD&A, the Focus License is valid until January 3, 2022, the TJAC Licenses are valid until August 28, 2023, the MYM Licenses are valid until November 27, 2023 (Highland) and January 31, 2023 (Sublime). The quantities for import and export under the Adjupharm Licenses are valid until June 18, 2022. Although management of Focus, Adjupharm, TJAC, Highland and Sublime believe that they will continue to meet the requirements of the MOH, BfArM and Health Canada, respectively, for the respective durations of the Key Licenses, there can be no guarantee that the MOH, BfArM or Health Canada will extend or renew any of the Key Licenses or, if any of the Key Licenses are extended or renewed, that they will be extended or renewed on the same or similar terms.

Should any of the MOH, BfArM or Health Canada not extend or renew any of the Key Licenses, or should the Key Licenses be renewed on different terms or not allow for anticipated capacity increases, the business, financial condition, results of the operations and prospects of the Group may be subject to a material adverse effect.

**(xi) Reliance on Other Business Licenses, Permits and Approvals**

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

**(xii) Reliance on Focus Facility**

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

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

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

The Focus Facility continues to operate with routine maintenance. Focus will bear much, if not all, of the costs of maintenance and upkeep of the Focus Facility, including replacement of components over time. Focus' operations and the Group's financial performance may be adversely affected if Focus is unable to keep up with maintenance requirements.

In December 2020, the Construction Committee advised Focus that it was the subject of the Construction Allegations. Focus' directors and officers, including Oren Shuster and Rafael Gabay, received a summons and have testified before the Construction Committee. In January 2021, the MOH advised Focus that it had received a complaint of the same nature as the Construction Allegations (the "MOH Allegations"). Focus fully cooperated with the investigations of both the Construction Committee and the MOH. On July 11, 2021 the Company was informed that the Construction Committee initiated the Construction Proceedings against Focus, Focus' directors and officers, including Mr. Shuster, and certain land owners. Currently, the Company does not expect a material impact on the licensing or normal course operations of Focus due to the Construction Proceedings. The Company, Focus and Mr. Shuster are cooperating in all respects with the Construction Proceedings.

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



**(xiii) Reliance on the TJAC Leases**

The TJAC Licenses are specific to the facilities operated by TJAC in Canada (the "TJAC Facilities"), which are subject to the applicable lease agreements (the "TJAC Leases") and such licenses must remain in good standing for TJAC to conduct the cannabis cultivation, processing and sales activities authorized thereunder. Adverse changes or developments affecting the TJAC Leases, including but not limited to the failure to maintain all requisite regulatory and ancillary permits and licenses, the failure to comply with provincial or municipal regulations, or a breach of security, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, any breach of either of the TJAC Leases or any failure to renew one or both of the TJAC Leases on materially similar or more favorable terms, may have a material adverse effect on the Group's business, financial condition, results of operations and prospects, and could also have an impact on TJAC's ability to continue operating under the TJAC Licenses or to renew any of the TJAC Licenses.

The TJAC Facilities are subject to the TJAC Leases and thus, subject to provincial and municipal regulation and oversight, including the acquisition of all required regulatory and ancillary permits to conduct operations or undertake any construction. Any breach of regulatory requirements, security measures or other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by government regulators at all levels, could also have an impact on TJAC's ability to maintain the TJAC Leases and/or keep TJAC Facilities in good standing, and to continue operating under the TJAC Licenses or the prospect of renewing one or both TJAC Licenses.

The TJAC Facilities continue to operate with routine maintenance. TJAC will bear some of the costs of maintenance and upkeep of the TJAC Facilities in accordance with the terms of the respective TJAC Leases, including replacement of components over time. TJAC's operations and the Group's financial performance may be adversely affected if TJAC is unable to keep up with maintenance requirements.

**(xiv) Reliance on the MYM Facilities**

The MYM Licenses are specific to the facilities operated by MYM in Canada by Sublime and Highland (the "MYM Facilities"), of which the Sublime facility is subject to a lease agreement (the "Sublime Lease") and such licenses must remain in good standing for MYM to conduct the cannabis cultivation, processing and sales activities authorized thereunder. Adverse changes or developments affecting the Sublime Lease, including but not limited to the failure to maintain all requisite regulatory and ancillary permits and licenses, the failure to comply with provincial or municipal regulations, or a breach of security, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, any breach of the Sublime Lease or any failure to renew the Sublime Lease on materially similar or more favorable terms, may have a material adverse effect on the Group's business, financial condition, results of operations and prospects, and could also have an impact on MYM's ability to continue operating under the MYM Licenses or to renew any of the MYM Licenses.

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The MYM Facilities are subject to provincial and municipal regulation and oversight, including the acquisition of all required regulatory and ancillary permits to conduct operations or undertake any construction. Any breach of regulatory requirements, security measures or other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by government regulators at all levels, could also have an impact on MYM's ability to maintain the Sublime Lease and/or keep MYM Facilities in good standing, and to continue operating or the prospect of renewing one or both MYM Licenses.

The MYM Facilities continue to operate with routine maintenance. MYM will bear some of the costs of maintenance and upkeep of the MYM Facilities in accordance with the terms of the respective Sublime Lease and ownership of the Highland facility, including replacement of components over time. MYM's operations and the Group's financial performance may be adversely affected if MYM is unable to keep up with maintenance requirements.

**(xv) Dependence on Senior Management**

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

**(xvi) Competition in the Industry**

There is potential that the Group will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than the Group. Because of the early stage of the industry in which The Group operates, the Group expects to face additional competition from new entrants. If the number of licensed patients of medical cannabis in Israel increases, the demand for products will increase and the Group expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products and pricing strategies. The same can be said for the Canadian market. As the cannabis industry continues to develop in Canada, more companies may enter the recreational cannabis space increasing competition in an already competitive market.

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

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

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

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

The industry is in its early development stage and restrictions on sales and marketing activities imposed by cannabis regulatory authorities, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations in the jurisdictions in which the Group operates may adversely affect the Group's ability to conduct sales and marketing activities and could have a material adverse effect on the Company's business, operating results, financial condition and prospects.

The Group's success depends on its ability to attract and retain customers. The way cannabis products are packaged, labelled, and displayed is strictly regulated in the jurisdictions in which the Group operates. For example, advertising related to consumption of cannabis is strictly prohibited in Israel. Such prohibitions may affect the Company's ability to establish brand presence, acquire new customers, retain existing customers and maintain a loyal customer base. This may ultimately have a material adverse effect on the Group's business, financial conditions and operations.

**(xix) Publicity or Consumer Perception**

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

There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medical and Canadian recreational cannabis market, or any particular product(s), or consistent with earlier publicity.

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

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical or recreational cannabis in general, or the Group's products specifically, or associating the consumption of medical and recreational cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

**(xx) Reliance on Key Business Inputs**

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

**(xxi) Sufficiency of Insurance**

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

**(xxii) Potential Product Liability**

IMCC derives a significant portion of its revenues from Focus, TJAC and MYM, all of which manufacture products designed to be ingested or inhaled by humans. Focus, TJAC, and MYM products bearing the Company's brands face an inherent risk of exposure to product liability claims, regulatory action and litigation if such products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of Focus, TJAC, and MYM products bearing the Company's brands involve the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination, unauthorized use by consumers or other third parties. Previously unknown adverse reactions resulting from human consumption of Focus, TJAC, and MYM products bearing the Company's brands alone or in combination with other medications or substances could occur.

The Group may be subject to various product liability claims, including, among others, that products bearing the IMC, Focus, TJAC, or MYM brands caused injury, illness or loss, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Group could result in increased costs, could adversely affect the Group's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Company.

There can be no assurances that the Group will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of products bearing the Company's brand.

**(xxiii) Potential General Litigation**

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

**(xxiv) Potential Product Recalls**

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

The Group may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention.

Although the Group has detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any one of the foregoing reasons could lead to decreased demand for the Group's products and could have a material adverse effect on the results of operations and financial condition of the Group. Additionally, product recalls may lead to increased scrutiny of the Group's operations by BfarM, the MOH and Health Canada, or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

**(xxv) Acquisitions of the Consolidated Entities**

There is no guarantee that any or all of the acquisitions of the Consolidated Entities pursuant to the Pharm Yarok Transaction and/or the Vironna Transaction, as applicable and as further described in *Overview of the Company – The Group and Consolidated Entities – The Consolidated Entities*, and the Panaxia Transaction, will be completed in the currently proposed form, if at all. Completion of such acquisitions and/or transactions will require, among other things, various regulatory approvals, licenses and permits, including MOH approval. Although the Company believes that it will obtain the required approvals, licenses and permits, there is no guarantee that all required approvals, licenses and permits will be obtained in a timely fashion or at all.

**(xxvi) Management of Growth and Acquisition Integration**

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

**Management's Discussion and Analysis** (Canadian dollars, in thousands)

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

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

Any failure of the Company to address these risks or other problems encountered in connection with any future acquisitions or investments could impact or prevent the realization of the anticipated benefits of these acquisitions or investments, cause us to incur unanticipated liabilities, and harm our business generally. Future acquisitions could also result in the incurrence of debt, contingent liabilities, amortization expenses, or the impairment of goodwill, any of which could harm our financial condition.

We may issue additional shares in connection with such transactions, which would dilute our other shareholders' interests in us. The presence of one or more material liabilities of an acquired company that are unknown to us at the time of acquisition could have a material adverse effect on our business, results of operations, prospects and financial condition. A strategic transaction may result in a significant change in the nature of our business, operations and strategy. In addition, we may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into our operations.

**(xxvii) U.S. Operations**

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

**(xxviii) COVID-19**

The current global uncertainty with respect to the spread of COVID-19, the rapidly evolving nature of the pandemic and local and international developments related thereto and its effect on the broader global economy and capital markets may impact the Company's business in the coming months.

The Company has taken proactive measures throughout the COVID-19 pandemic to protect the health and safety of its employees, to continue delivering high quality medical cannabis to its patients, to continue supplying the Canadian recreational cannabis market with quality products and to maintain its balance sheet.

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

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

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

**(xxx) The Company's status as a "foreign private issuer" under U.S. securities laws**

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

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

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

**(xxxi) The Company may lose its status as a foreign private issuer under U.S. securities laws**

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



**(xxxii) The Company's status as an "emerging growth company" under U.S. securities laws**

The Company is an "emerging growth company" as defined in section 3(a) of the Exchange Act (as amended by the JOBS Act, enacted on April 5, 2012), and the Company will continue to qualify as an emerging growth company until the earliest to occur of: (a) the last day of the fiscal year during which the Company has total annual gross revenues of US\$1,070,000,000 (as such amount is indexed for inflation every five years by the SEC) or more; (b) the last day of the fiscal year of the Company following the fifth anniversary of the date of the first sale of common equity securities of the Company pursuant to an effective registration statement under the United States Securities Act of 1933, as amended; (c) the date on which the Company has, during the previous three year period, issued more than US\$1,000,000,000 in non-convertible debt; and (d) the date on which the Company is deemed to be a "large accelerated filer", as defined in Rule 12b-2 under the Exchange Act. The Company will qualify as a large accelerated filer (and would cease to be an emerging growth company) at such time when on the last business day of its second fiscal quarter of such year the aggregate worldwide market value of its common equity held by non-affiliates will be US\$700,000,000 or more.

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

**Changes in Accounting Policies including Initial Adoption**

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

The following new accounting standards applied or adopted during the nine months ended September 30, 2021, had impact on the Interim Financial Statements:

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

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

The 2018 Amendment consists of the following:

1. Clarification that to meet the definition of a business, an integrated set of activities and assets must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create output.
2. Removal of the reference to the assessment whether market participants are capable of acquiring the business and continuing to operate it and produce outputs by integrating the business with their own inputs and processes.
3. Introduction of additional guidance and examples to assist entities in assessing whether the acquired processes are substantive.
4. Narrowing the definitions of "outputs" and "business" by focusing on goods and services provided to customers.
5. Introducing an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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

*Amendment to IAS 1, "Presentation of Financial Statements":*

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

The 2020 Amendment includes the following clarifications:

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

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

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

#### Financial Instruments

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

Financial Instruments Measured at Fair Value	Fair Value Method
Derivative assets <sup>1</sup>	Black & Scholes model (Level 3 category)
Unlisted Warrants <sup>1</sup>	Black & Scholes model (Level 3 category)
Listed Warrants <sup>1</sup>	Market price (Level 1 category)
Loans receivable	Discounted Cashflow Method (Level 3 category)
<b>Financial Instruments Measured at Amortized Cost</b>	
Cash and cash equivalents, Trade receivables and other account receivables	Carrying amount (approximates fair value due to short-term nature)
Loans receivable	Amortized Cost (effective interest method)
Trade Payables, other accounts payable and accrued expenses	Carrying amount (approximates fair value due to short-term nature)

#### Notes:

(1) Finance expense (income) include fair value adjustment of Warrants, Investments, and Derivative assets measured at fair value, for the nine months ended September 30, 2021 and 2020, amounted to \$21,169 and \$(6,048), respectively.

Finance expense (income) include fair value adjustment of Warrants, Investments, and Accounts Receivable measured at fair value, for the three months ended September 30, 2021 and 2020, amounted to \$8,120 and \$973, respectively.

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

#### Share price risk

The Group's investments in unlisted shares are sensitive to the market price risk arising from uncertainties about the future value of these investments. The Group manages the price risk through diversification and by placing limits on individual and total investment in shares.

**Management's Discussion and Analysis** (Canadian dollars, in thousands)

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

At the reporting date, the Group's exposure to investments in unlisted shares measured at fair value was \$2,165.

*Credit risk*

The maximum credit exposure at September 30, 2021, is the carrying amount of cash and cash equivalents, accounts receivable and other current assets. The Group does not have significant credit risk with respect to customers. All cash and cash equivalents are placed with major Israeli financial institutions.

*Liquidity risk*

As at September 30, 2021, the Group's financial liabilities with liquidity risk consist of trade payables and other accounts payable, which have contractual maturity dates within one year, and lease liabilities. The Group manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Group's working capital position as at September 30, 2021, management considers liquidity risk to be low. The table below summarizes the maturity profile of the Group's lease liabilities based on contractual undiscounted payments (including interest payments):

**September 30, 2021:**

	<u>Less than one year</u>	<u>1 to 5 years</u>	<u>6 to 10 years</u>	<u>&gt;10 years</u>
Lease liabilities	\$ 2,791	\$ 11,023	\$ 12,202	\$ 3,224

**September 30, 2020:**

	<u>Less than one year</u>	<u>1 to 5 years</u>	<u>6 to 10 years</u>	<u>&gt;10 years</u>
Lease liabilities	\$ 172	\$ 312	\$ 534	-

The maturity profile of the Company's other financial liabilities with liquidity risk (trade payables, other account payable and accrued expenses) as of September 30, 2021 and 2020, are less than one year.

*Currency rate risk*

As at September 30, 2021, a portion of the Group's financial assets and liabilities held in Euros, Canadian dollars and US dollars consist of cash and cash equivalents. The Group's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties as applicable. The Group does not currently use foreign exchange contracts to hedge its exposure of its foreign currency cash flows, as management has determined that this risk is not significant at this point of time.

**Procedures and Internal Control over Financial Reporting**

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable IFRS. Internal control over financial reporting should include those policies and procedures that establish the following:

- maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of assets;
- reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable IFRS;
- receipts and expenditures are only being made in accordance with authorizations of management or the board of directors; and
- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial instruments.

The Company's management, with the participation of the Chief Financial Officer, assessed the effectiveness of the Company's internal controls over financial reporting and concluded that as at September 30, 2021, the Company's internal control over financial reporting was effective and yet constantly seek to improve it.

During the nine months ended September 30, 2021, the Company did not make any significant changes to its internal controls over financial reporting that would have materially affected, or reasonably likely to materially affect, its internal controls over financial reporting.

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

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

**Additional Information**

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

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**Form 52-109F2**  
**Certification of Interim Filings**  
**Full Certificate**

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

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of IM Cannabis Corp. (the “issuer”) for the interim period ended September 30, 2021.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. **Responsibility:** The issuer’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings*, for the issuer.
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer and I have, as at the end of the period covered by the interim filings
  - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
    - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
    - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
  - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.
- 5.1 **Control framework:** The control framework the issuer’s other certifying officer(s) and I used to design the issuer’s ICFR is Internal Control – Integrated Framework (COSO Framework 2013) published by The Committee of Sponsoring Organization of the Treadway Commission (COSO).
- 5.2 N/A.
- 5.3 N/A.
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 July 1, 2021 and ended on September 30, 2021 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Date: November 15, 2021

“Oren Shuster”  
Oren Shuster  
Chief Executive Officer

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**Form 52-109F2**  
**Certification of Interim Filings**  
**Full Certificate**

I, Shai Shemesh, Chief Financial Officer of IM Cannabis Corp., certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of IM Cannabis Corp. (the “issuer”) for the interim period ended September 30, 2021.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. **Responsibility:** The issuer’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings*, for the issuer.
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer and I have, as at the end of the period covered by the interim filings
  - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
    - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
    - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
  - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.
- 5.1 **Control framework:** The control framework the issuer’s other certifying officer(s) and I used to design the issuer’s ICFR is Internal Control – Integrated Framework (COSO Framework 2013) published by The Committee of Sponsoring Organization of the Treadway Commission (COSO).
- 5.2 N/A.
- 5.3 N/A.
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 July 1, 2021 and ended on September 30, 2021 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Date: November 15, 2021

“Shai Shemesh”

Shai Shemesh  
Chief Financial Officer

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