UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

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

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

For the fiscal year ended December 31, 2020 **Commission File Number 001-40065**

IM CANNABIS CORP.

(Exact name of Registrant as specified in its charter)

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

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

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

Kibbutz Glil Yam,
Central District, Israel 4690500
+972-54-6687515
(Address and telephone number of Registrant's principal executive offices)

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

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

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

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

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

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

☒ Annual information form ☒ Audited annual financial statements

Number of outstanding shares of each of the issuer's classes of
capital or common stock as of December 31, 2020:
159,063,128 Common Shares, no par value

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☒

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

If an emerging growth company that prepares is financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

EXPLANATORY NOTE

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report, including any documents incorporated by reference herein, contains "forward-looking statements" or "forward-looking information" within the meaning of applicable Canadian and United States securities legislation (collectively, "**forward-looking statements**"). All statements other than statements of fact may be deemed to be forward-looking statements, including statements with regard to expected financial performance, strategy and business conditions. The words "believe", "plan", "intend", "estimate", "expect", "anticipate", "continue", or "potential", and similar expressions, as well as future or conditional verbs such as "will", "should", "would", and "could" often identify forward-looking statements. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management as of the date of this annual report on Form 40-F, or a document incorporated by reference therein, including reasonable assumptions, estimates, internal and external analysis and opinions of management considering its experience, perception of trends, current conditions and expected developments as well as other factors that management believes to be relevant as at the date such statements are made.

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

- the expected performance of the Group's (as defined in the Company's Annual Information Form for the year ended December 31, 2020 (the "**AIF**"), attached hereto as Exhibit 99.1) business and operations;
- the exportation of the Group's cannabis products from Israel;
- the exportation on the Group's cannabis products from Canada to Israel and Germany;
- the Group's expansion and development of its foreign operations and supply arrangements;
- the Group's intentions regarding leveraging its German operational platform and further developing its presence in Europe;
- expectations regarding the Group's revenues, expenses and profits;
- expectations in the growth of demand in the medical cannabis industry, including without limitation, in Israel and Germany;
- the competitive conditions of the medical and recreational cannabis industry, including ancillary industries such as medical cannabis operations consulting;
- the anticipated legalization and/or decriminalization of adult-use recreational cannabis in Israel and the Group's business intentions in the event such legalization and/or decriminalization occurs;
- the Company's strategic opportunities involving collaboration with successful applicants of the Dutch Tender (as defined in the AIF);
- the Company's expectations relating to TJAC's (as defined in the AIF) premium indoor cultivation facility in Canada;
- the Group's anticipated obligations to comply with environmental and employee health and safety matters;
- TJAC's future product offerings and strategic plans;
- the effect of new or altered government regulations with respect to the marketing, acquisition, manufacture, management, transportation, storage, sale and disposal of cannabis and cannabis products;
- the grant or renewal of licenses or governmental approvals required to conduct activities related to cannabis;
- the designation of Focus (as defined in the AIF) as an "essential service" in Israel;
- the intentions of management of the Company;
- the Group's expectations to meet target production capacity;
- the impacts of future scientific findings regarding the medical and/or recreational cannabis market;
- the availability of raw materials and supplies at acceptable quantities, qualities and prices;

- the scope of protection the Group is able to establish and maintain, if any, for intellectual property rights covering its products;
- future liquidity and financial capacity;
- the Company's plan with respect to any payments of dividends;
- the completion of the MYM Transaction (as defined in the AIF), including all requisite court, regulatory and securityholder approvals, and the timing of the completion of the MYM Transaction; and
- the Group's contractual obligations and commitments.

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

- the anticipated increase in demand for medical cannabis in the markets in which the Group operates or is contemplating operations;
- the anticipated demand for adult-use recreational cannabis in Canada;
- the anticipated increase in liquidity for current investors and enhanced access for prospective investors in the Company's Common Shares following its successful listing on NASDAQ;
- the legalization and/or decriminalization of adult-use recreational cannabis and the demand for adult-use recreational cannabis products in the markets in which the Group operates;
- the Group's ability to satisfy international demand for its products;
- future cannabis product pricing;
- cannabis production yields; and
- the Group's ability to market its brands and its services successfully to its anticipated clients.

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

- the Company's ability to continue to meet the continued listing requirements of the Canadian Securities Exchange (the "**CSE**") and NASDAQ;
- the failure of the Group to comply with applicable regulatory requirements in a highly regulated industry;
- the failure of the Company to maintain "de facto" control over Focus in accordance with IFRS 10 (as defined in the AIF);
- the failure of Focus to maintain in good standing or renew any of its government-issued cannabis propagation or cultivation licenses;
- Focus' reliance on the Focus Facility (as defined in the AIF) to conduct medical cannabis activities;
- the failure of Focus to maintain the Focus Facility in good standing with all state and municipal Israeli regulations, including all required licenses and permits and under the Focus Lease Agreement (as defined in the AIF);
- the failure of Adjupharm (as defined in the AIF) to maintain in good standing or renew any of its government-issued cannabis wholesale, narcotics handling or import/export licenses, permits, certificates or approvals;
- the failure of TJAC to maintain in good standing or renew any of the TJAC Licenses (as defined in the AIF);
- the Group's ability to maintain ancillary business licenses, permits and approvals required to operate effectively;
- regulatory authorities in Israel viewing the Company as the deemed owner of more than 5% of Focus in contravention of Israeli regulations;
- limitations on stockholdings of the Company in connection with its potential direct engagement in the Israeli medical cannabis market;
- unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of cannabis in Canada, Israel and Germany, or any foreign jurisdictions in which the Company intends to operate;

- the failure of the Company to attain the necessary court, regulatory and securityholder approvals required for the successful completion of the MYM Transaction in a timely manner or at all;
- the Group's possible exposure to liability, the perceived level of risk related thereto, and the anticipated results of any litigation or other similar disputes or legal proceedings involving the Group, including but not limited to the Construction Allegations, the MOH Allegations (each as defined in the AIF) and the class action proceedings described herein;
- the ability of the Group's third-party cultivators, suppliers, distribution partners, and contracted pharmacies to fulfil their obligations to the Group;
- the Group's ability to maintain partnerships with third-party cultivators, suppliers and distribution partners;
- the Group's ability to secure new supply and distribution partners;
- the Group's ability to fulfil obligations to third-party distribution partners;
- the Group's ability to obtain or maintain sufficient insurance for its operations;
- the Group's possible exposure to additional liability for claims in excess of insurance coverage;
- the Group's ability to implement effective product security and storage measures;
- the Group's ability to conduct sales and marketing activities for its products;
- the Group's ability to retain and attract key personnel and members of management;
- the Group's ability to develop or facilitate introduction of new product offerings to the market;
- the Group's possible exposure to liability relating to product recalls;
- the Company's ability to raise additional funds;
- the Company's ability to manage cash flows;
- anti-money laundering laws and regulation risks;
- the Group's ability to cope with the operational impacts of the COVID-19 pandemic;
- the impact on the Group of any changes in global financial conditions, including those caused by geopolitical instability, catastrophic events, natural disasters, weather and disease;
- Focus' and TJAC's ability to grow agricultural products effectively in light of natural elements;
- the impact of increasing competition;
- inconsistent public opinion and perception regarding the use of cannabis;
- perceived effects of cannabis products;
- the Israeli government deciding to delay or abandon the decriminalization and/or legalization of adult-use recreational cannabis;
- any change in the political environment which would negatively affect the decriminalization and/or legalization of adult-use recreational cannabis in Israel;
- engaging in activities considered illegal under relevant laws including U.S. federal law;
- political instability and conflict in the Middle East;
- adverse market conditions;
- competition from the illegal cannabis market;
- industry consolidation;
- the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses;
- the potential for the Company to record future impairment losses;
- currency and interest rate fluctuations;
- global and local economic conditions;
- the costs of inputs; and
- reliance on management.

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

.

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

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

CURRENCY

Unless otherwise indicated, all dollar amounts in this Annual Report on Form 40-F are in Canadian dollars. The exchange rate of Canadian dollars into United States dollars, on December 31, 2020 based upon the daily exchange rate as quoted by the Bank of Canada was U.S.$1.00 = Cdn.$1.2732.

ANNUAL INFORMATION FORM

The Registrant's Annual Information Form for the fiscal year ended December 31, 2020 is filed as Exhibit 99.1 to this Annual Report and is incorporated by reference herein.

AUDITED ANNUAL FINANCIAL STATEMENTS

The audited consolidated financial statements of the Registrant for the years ended December 31, 2020 and 2019, including the report of the independent registered public accounting firm thereon, are filed as Exhibit 99.2 to this Annual Report and are incorporated by reference herein.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Registrant's MD&A dated April 23, 2021 for the year ended December 31, 2020, is filed as Exhibit 99.3 to this Annual Report and is incorporated by reference herein.

TAX MATTERS

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

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

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

Management's Annual Report on Internal Control over Financial Reporting

This Annual Report does not include a report of management's assessment regarding internal control over financial reporting due to a transition period established by rules of the SEC for newly public companies.

Attestation Report of the Registered Public Accounting Firm

This Annual Report does not include an attestation report of the Company's registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.

Changes in Internal Control over Financial Reporting

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

CORPORATE GOVERNANCE

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

Corporate Governance and Nomination Committee

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

Compensation Committee

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

AUDIT COMMITTEE

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

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

Audit Committee Financial Expert

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

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

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

The Audit Committee pre-approves all audit services to be provided to the Company by its independent auditors. Non-audit services that are prohibited to be provided to the Company by its independent auditors may not be pre-approved. In addition, prior to the granting of any pre-approval, the Audit Committee must be satisfied that the performance of the services in question will not compromise the independence of the independent auditors. All non-audit services performed by the Company's auditor for the fiscal year ended December 31, 2020 were pre-approved by the Audit Committee of the Company. No non-audit services were approved pursuant to the de minimis exemption to the pre-approval requirement set forth in Rule 2-01(c)(7)(i)(C) of Regulation S-X.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information provided under the heading "*Audit Committee Information - External Auditor Service Fees (By Category)*" contained in the AIF, filed as Exhibit 99.1 hereto, is incorporated by reference herein.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

CODE OF ETHICS

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

All waivers of the Code with respect to any of the employees, officers or directors covered by it will be promptly disclosed as required by applicable securities rules and regulations. Since adopted by the Company, and until December 31, 2020, the Company did not waive or implicitly waive any provision of the Code with respect to any of the Company's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table lists, as of December 31, 2020, information with respect to the Registrant's known contractual obligations. Note that all amounts are in Canadian Dollars in thousands.

	Payments due by period				
Contractual Obligations	**Total ($)**	**Less than 1 year ($)**	**1-3 years ($)**	**3-5 years ($)**	**More than 5 years ($)**
Operating Lease Obligations (Undiscounted)	**1,294**	232	314	233	515
Purchase Obligations [1]	**2,605**	2,605	-	-	-
Total [2] [3]	**$ 3,899**	**$ 2,837**	**$ 314**	**$ 233**	**$ 515**

[1] Purchase commitments are obligations under purchase agreements or purchase orders not yet fulfilled that are non-cancelable.

[2] The obligation amount does not include an amount of $371 of employee benefit liability, net. See also Note 13 to the Consolidated Financial Statements as of December 31, 2020.

[3] The obligation amount does not include an amount of $16,540 of non-current warrants liability as of December 31, 2020, which settlement is in the Company's common stock.

NOTICES PURSUANT TO REGULATION BTR

There were no notices required by Rule 104 of Regulation BTR that the Company sent during the year ended December 31, 2020 concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

MINE SAFETY DISCLOSURE

Not Applicable.

NASDAQ STATEMENT OF GOVERNANCE DIFFERENCES

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

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

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

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

UNDERTAKING

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

CONSENT TO SERVICE OF PROCESS

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

SIGNATURES

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

DATED this 26th day of April, 2021.

IM CANNABIS CORP.

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

EXHIBIT INDEX

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

Exhibit Number	Description
99.1	Annual Information Form dated April 26, 2021 for the fiscal year ended December 31, 2020
99.2	Audited Consolidated Financial Statements for the year ended December 31, 2020
99.3	Management's Discussion and Analysis dated April 23, 2021 for the year ended December 31, 2020
99.4	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the U.S. Securities Exchange Act of 1934, as amended
99.5	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the U.S. Securities Exchange Act of 1934, as amended
99.6	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.7	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.8	Consent of Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global
101.INS*	XBRL Instance
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

* To be filed by amendment.

IM CANNABIS CORP.

ANNUAL INFORMATION FORM

For the Financial Year Ended December 31, 2020

April 26, 2021

TABLE OF CONTENTS

ANNUAL INFORMATION FORM

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

The information in this Annual Information Form is presented as at December 31, 2020 unless otherwise indicated. All references to the Company's Common Shares and securities issuable into Common Shares such as Warrants, Options, Broker Options, and RSUs are reflected on a post-Consolidation (as defined below) basis unless otherwise indicated or the context requires otherwise.

FORWARD-LOOKING STATEMENTS

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

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

- the expected performance of the Group's business and operations;
- the exportation of the Group's cannabis products from Israel;
- the exportation on the Group's cannabis products from Canada to Israel and Germany;
- the Group's expansion and development of its foreign operations and supply arrangements;
- the Group's intentions regarding leveraging its German operational platform and further developing its presence in Europe;
- expectations regarding the Group's revenues, expenses and profits;
- expectations in the growth of demand in the medical cannabis industry, including without limitation, in Israel and Germany;
- the competitive conditions of the medical and recreational cannabis industry, including ancillary industries such as medical cannabis operations consulting;
- the anticipated legalization and/or decriminalization of adult-use recreational cannabis in Israel and the Group's business intentions in the event such legalization and/or decriminalization occurs;
- the Company's strategic opportunities involving collaboration with successful applicants of the Dutch Tender (as defined in "*General Development of the Business - Recent Developments - Developments During the Financial Year Ended December 31, 2020*");
- the Company's expectations relating to TJAC's premium indoor cultivation facility in Canada;
- the Group's anticipated obligations to comply with environmental and employee health and safety matters;
- TJAC's future product offerings and strategic plans;

- the effect of new or altered government regulations with respect to the marketing, acquisition, manufacture, management, transportation, storage, sale and disposal of cannabis and cannabis products;
- the grant or renewal of licenses or governmental approvals required to conduct activities related to cannabis;
- the designation of Focus as an "essential service" in Israel;
- the intentions of management of the Company;
- the Group's expectations to meet target production capacity;
- the impacts of future scientific findings regarding the medical and/or recreational cannabis market;
- the availability of raw materials and supplies at acceptable quantities, qualities and prices;
- the scope of protection the Group is able to establish and maintain, if any, for intellectual property rights covering its products;
- future liquidity and financial capacity;
- the Company's plan with respect to any payments of dividends;
- the completion of the MYM Transaction (as defined in "*General Development of the Business - Recent Developments - Developments Following the Financial Year Ended December 31, 2020*" below), including all requisite court, regulatory and securityholder approvals, and the timing of the completion of the MYM Transaction; and
- the Group's contractual obligations and commitments.

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

- the anticipated increase in demand for medical cannabis in the markets in which the Group operates or is contemplating operations;
- the anticipated demand for adult-use recreational cannabis in Canada;
- the anticipated increase in liquidity for current investors and enhanced access for prospective investors in the Company's Common Shares following its successful listing on NASDAQ;
- the legalization and/or decriminalization of adult-use recreational cannabis and the demand for adult-use recreational cannabis products in the markets in which the Group operates;
- the Group's ability to satisfy international demand for its products;
- future cannabis product pricing;
- cannabis production yields; and
- the Group's ability to market the its brands and its services successfully to its anticipated clients.

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

- the Company's ability to continue to meet the continued listing requirements of the CSE and NASDAQ;
- the failure of the Group to comply with applicable regulatory requirements in a highly regulated industry;
- the failure of the Company to maintain "de facto" control over Focus in accordance with IFRS 10;

- the failure of Focus to maintain in good standing or renew any of its government-issued cannabis propagation or cultivation licenses;
- Focus' reliance on the Focus Facility (as defined herein) to conduct medical cannabis activities;
- the failure of Focus to maintain the Focus Facility in good standing with all state and municipal Israeli regulations, including all required licenses and permitsand under the Focus Lease Agreement;
- the failure of Adjupharm to maintain in good standing or renew any of its government-issued cannabis wholesale, narcotics handling or import/export licenses, permits, certificates or approvals;
- the failure of TJAC to maintain in good standing or renew any of the TJAC Licenses;
- the Group's ability to maintain ancillary business licenses, permits and approvals required to operate effectively;
- regulatory authorities in Israel viewing the Company as the deemed owner of more than 5% of Focus in contravention of Israeli regulations;
- limitations on stockholdings of the Company in connection with its potential direct engagement in the Israeli medical cannabis market;
- unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of cannabis in Canada, Israel and Germany, or any foreign jurisdictions in which the Company intends to operate;
- the failure of the Company to attain the necessary court, regulatory and securityholder approvals required for the successful completion of the MYM Transaction (as defined in "*General Development of the Business - Recent Developments - Developments Following the Financial Year Ended December 31, 2020*" below) in a timely manner or at all;
- the Group's possible exposure to liability, the perceived level of risk related thereto, and the anticipated results of any litigation or other similar disputes or legal proceedings involving the Group, including but not limited to the Construction Allegations, the MOH Allegations (each as defined herein) and the class action proceedings described herein;
- the ability of the Group's third-party cultivators, suppliers, distribution partners, and contracted pharmacies to fulfil their obligations to the Group;
- the Group's ability to maintain partnerships with third-party cultivators, suppliers and distribution partners;
- the Group's ability to secure new supply and distribution partners;
- the Group's ability to fulfil obligations to third-party distribution partners;
- the Group's ability to obtain or maintain sufficient insurance for its operations;
- the Group's possible exposure to additional liability for claims in excess of insurance coverage;
- the Group's ability to implement effective product security and storage measures;
- the Group's ability to conduct sales and marketing activities for its products;
- the Group's ability to retain and attract key personnel and members of management;
- the Group's ability to develop or facilitate introduction of new product offerings to the market;
- the Group's possible exposure to liability relating to product recalls;
- the Company's ability to raise additional funds;
- the Company's ability to manage cash flows;
- anti-money laundering laws and regulation risks;
- the Group's ability to cope with the operational impacts of the COVID-19 pandemic;
- the impact on the Group of any changes in global financial conditions, including those caused by geopolitical instability, catastrophic events, natural disasters, weather and disease;
- Focus' and TJAC's ability to grow agricultural products effectively in light of natural elements;
- the impact of increasing competition;
- inconsistent public opinion and perception regarding the use of cannabis;

- perceived effects of cannabis products;
- the Israeli government deciding to delay or abandon the decriminalization and/or legalization of adult-use recreational cannabis;
- any change in the political environment which would negatively affect the decriminalization and/or legalization of adult-use recreational cannabis in Israel;
- engaging in activities considered illegal under relevant laws including U.S. federal law;
- political instability and conflict in the Middle East;
- adverse market conditions;
- competition from the illegal cannabis market;
- industry consolidation;
- the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses;
- the potential for the Company to record future impairment losses;
- currency and interest rate fluctuations;
- global and local economic conditions;
- the costs of inputs; and
- reliance on management.

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

MARKET AND INDUSTRY DATA

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

NOTE REGARDING THE COMPANY'S ACCOUNTING PRACTICES

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

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

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

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

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

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

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

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

For additional information, please see "*Risk Factors - Consolidation of Focus Financial Results under IFRS 10 and Maintenance of Common Control*".

CURRENCY AND EXCHANGE RATES

References in this AIF to "**CAD**", "**$**", dollars or currency are to the lawful currency of Canada, unless otherwise indicated. In addition, this AIF includes references to (i) "**NIS**" which means the New Israeli Shekel, the lawful currency of the State of Israel. As of April 23, 2021, the value of one Canadian dollar expressed in NIS, based on the exchange rate available through the Bank of Israel, is NIS 2.6078, and (ii) "**USD**" which means the United States Dollar, the lawful currency of the United States of America. As of April 16, 2021, the value of one Canadian dollar expressed in USD, based on the exchange rate available through the U.S. Federal Reserve, is USD 0.8001; (iii) "**EUR**" which means the Euro, the lawful currency of the European Union. As of April 23, 2021, the value of one Canadian dollar expressed in EUR, based on the exchange rate available through the European Central Bank, is EUR 0.6639.

GLOSSARY OF TERMS

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

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

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

"**Adjupharm**" means Adjupharm GmbH, a company incorporated under the laws of Germany;

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

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

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

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

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

"**Broker Options**" means broker compensation options of the Company;

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

"**Cannabis Act**" means the *Cannabis Act* (Canada), as amended, including all regulations promulgated thereunder.

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

"**Cannabis License**" and "**Cannabis Licenses**", respectively, have the meanings set out in "*Medical Cannabis Regulatory Framework in Israel and Germany - Israel - Licensing and Authorization for Commercial Activities in the Medical Cannabis Field*";

"**cannabis oil**" means the extract of cannabis inflorescence diluted with oil;

"**Cannabis Regulations**" has the meaning set out in "*Description of the Business - Recreational Cannabis Regulatory Framework in Canada*";

"**CBD**" means cannabidiol;

"**CBN**" means cannabinol;

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

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

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

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

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

"**Consolidation**" has the meaning set out in "*General Development of the Business - Recent Developments - Developments Following the Financial Year Ended December 31, 2020*";

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

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

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

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

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

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

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

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

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

"**Dutch Tender**" has the meaning set out in "*General Development of the Business - Recent Developments - Developments During the Financial Year Ended December 31, 2020*";

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

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

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

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

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

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

"**Final Shelf Prospectus**" has the meaning set out in "*General Development of the Business - Recent Developments - Developments Following the Financial Year Ended December 31, 2020*";

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

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

"**Focus Agreement**" has the meaning set out in "*Corporate Structure - Intercorporate Relationships*";

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

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

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

"**Galen**" means Galen Industries Single Member Societe Anonyme;

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

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

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

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

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

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

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

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

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

"**IMC Holdings**" means I.M.C. Holdings Ltd., a limited liability company existing under the laws of the State of Israel;

"**IMC Netherlands Holdco**" has the meaning set out in "*General Development of the Business - Recent Developments - Developments During the Financial Year Ended December 31, 2020*";

"**IMC Restructuring**" has the meaning set out in "*Corporate Structure - Intercorporate Relationships*";

"**IMCA**" means the Israeli Medical Cannabis Agency, an agency operated by the MOH;

"**IP Agreement**" has the meaning set out in "*Corporate Structure - Intercorporate Relationships*";

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

"**kg**" means a kilogram;

"**Listed Warrants**" has the meaning set out in "*Description of Capital Structure - Warrants*";

"**MediPharm Labs**" has the meaning set out in "*General Development of the Business - Recent Developments - Developments Following the Financial Year Ended December 31, 2020*";

"**MGC**" has the meaning set out in "*General Development of the Business - Recent Developments - Developments During the Financial Year Ended December 31, 2020*";

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

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

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

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

"**NGC**" has the meaning set out in "*General Development of the Business - Recent Developments - Developments Following the Financial Year Ended December 31, 2020*";

"**NGC Supply Agreement**" has the meaning set out in "*General Development of the Business - Recent Developments - Developments Following the Financial Year Ended December 31, 2020*";

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

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

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

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

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

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

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

"**Pilot Program**" has the meaning set out in "*Medical Cannabis Regulatory Framework in Israel and Germany - Israel - Medical Cannabis Exports*";

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

"**Preliminary Shelf Prospectus**" has the meaning set out in *"General Development of the Business - Recent Developments - Developments Following the Financial Year Ended December 31, 2020"*;

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

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

"**Qualified Securities**" has the meaning set out in *"General Development of the Business - Recent Developments - Developments Following the Financial Year Ended December 31, 2020"*;

"**Registration Statement**" has the meaning set out in *"General Development of the Business - Recent Developments - Developments Following the Financial Year Ended December 31, 2020"*;

"**Reverse Takeover Transaction**" has the meaning set out in *"General Development of the Business - Recent Developments - Developments Following the Reverse Takeover Transaction"*;

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

"**RSU**" has the meaning set out in *"Description of Capital Structure - Restricted Share Units"*;

"**RSU Plan**" has the meaning set out in *"Description of Capital Structure - Restricted Share Units"*;

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

"**Securities Commissions**" has the meaning set out in *"General Development of the Business - Recent Developments - Developments Following the Financial Year Ended December 31, 2020"*;

"**Services Agreement**" has the meaning set out in *"Corporate Structure - Intercorporate Relationships"*;

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

"**Stock Option Plan**" has the meaning set out in *"Description of Capital Structure - Options"*;

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

"**THC**" means tetrahydrocannabinol;

"**TJAC**" has the meaning set out in *"General Development of the Business - Recent Developments - Developments Following the Financial Year Ended December 31, 2020";*

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

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

"**Trichome**" has the meaning set out in *"General Development of the Business - Recent Developments - Developments Following the Financial Year Ended December 31, 2020"*;

"**Trichome Transaction**" has the meaning set out in *"General Development of the Business - Recent Developments - Developments Following the Financial Year Ended December 31, 2020"*;

"**Unlisted Warrants**" has the meaning set out in "*Description of Capital Structure - Warrants*";

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

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

"**Warrants**" means Common Share purchase warrants of the Company and includes Listed Warrants and Unlisted Warrants; and

"**Xinteza**" has the meaning set out in "*General Development of the Business - Developments Following the Reverse Takeover Transaction*";

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

CORPORATE STRUCTURE

Name, Address and Incorporation

The full corporate name of the Company is "IM Cannabis Corp." The Company's head office is located at Kibbutz Glil Yam, Israel and its registered office is located at 550 Burrard Street, Suite 2300, Bentall 5, Vancouver, British Columbia, V6C 2B5, Canada. The Company is a reporting issuer under the laws of each of the Provinces and Territories of Canada.

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

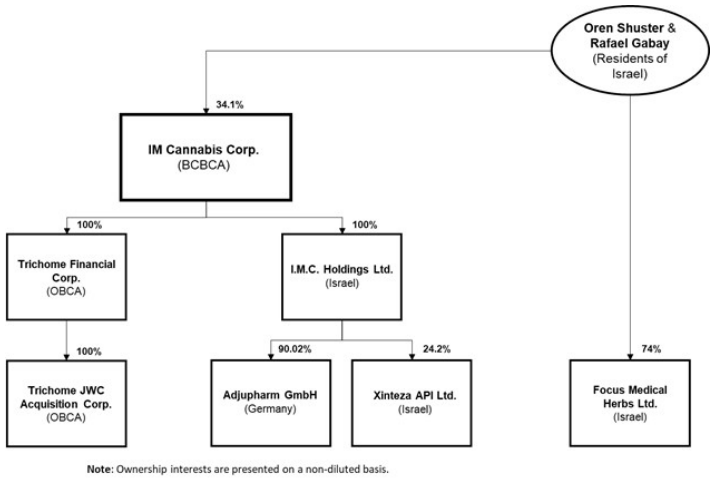
On June 22, 2018, the Company completed a consolidation of its Common Shares on the basis of one (1) post-consolidation Common Share for every 5 pre-consolidation Common Shares.

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

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

Intercorporate Relationships

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



Note: Ownership interests are presented on a non-diluted basis.

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

IMC Holdings retains an option with Messrs. Shuster and Gabay to re-acquire the sold interest in Focus at its sole discretion and in accordance with Israeli cannabis regulations, within 10 years of the date of the IMC Restructuring (the**Fbcus 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. Although the Company does not hold any voting interests in Focus, the Company is permitted to consolidate the accounts of Focus in its financial statements by virtue of its "de facto" control over Focus in accordance with IFRS 10. For more information on the Company's corporate structure with respect to Focus and the Company's accounting practices, please see "*Note Regarding the Company's Accounting Practices*".

As part of the IMC Restructuring, IMC Holdings and Focus entered into: (i) an agreement in which Focus would 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, among other rights and services (the "**IP Agreement**"); and (ii) an agreement pursuant to which Focus would use IMC Holdings for certain management and consulting services including: (a) business development services; (b) marketing services; (c) strategic advisory services; (d) locating potential collaborations on a worldwide basis; and (e) financial analysis services (the "**Services Agreement**" and collectively with the IP Agreement, the "**Commercial Agreements**").

GENERAL DEVELOPMENT OF THE BUSINESS

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

History prior to the Reverse Takeover Transaction

The Company historically engaged in mineral resource exploration activities but ceased operations in March 2018 to focus on identifying and evaluating new business opportunities.

The Reverse Takeover Transaction

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

In connection with the Reverse Takeover Transaction, the Company completed a private placement offering of 19,460,527 subscription receipts ("**Subscription Receipts**") of a wholly-owned subsidiary of the Company at a price of $1.05 per Subscription Receipt for aggregate gross proceeds of approximately $20.4 million. Upon completion of the Reverse Takeover Transaction, each Subscription Receipt was exchanged for one unit comprised of one (1) Common Share and one-half of one (1/2) Warrant. Each whole Warrant was exercisable for one Common Share at an exercise price of $1.30 for a period of 24 months following the closing of the Reverse Takeover Transaction.

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

On November 19, 2019, the Warrants began trading on the CSE under the ticker symbol "IMCC.WT".

Developments Following the Reverse Takeover Transaction

On December 26, 2019, IMC Holdings entered into a share purchase agreement with Xinteza API Ltd. (**Xinteza**"), a company with a unique biosynthesis technology, whereby the Company acquired, on an as-converted and fully diluted basis, 25.37% of Xinteza's outstanding share capital, for consideration of US$1,700,000 (approximately $2,223,000, according to the December 24, 2019 exchange rate published by the Bank of Canada) paid in several installments (the "**Xinteza SPA**"). As of September 30, 2020, the Company has paid all outstanding installments pertaining to the Xinteza SPA. As of December 31, 2020, following further investments by third parties into Xinteza, the Company holds 24.2% of the outstanding share capital of Xinteza on an as-converted and fully diluted basis. Under an exclusive license from Yeda Research & Development Company Ltd., the commercial division of the Weizmann Institute of Science, and based on disruptive plant genetics and metabolomics research led by Professor Asaph Aharoni, Xinteza has been developing advanced proprietary technologies related to the production of cannabinoid-based active pharmaceutical ingredients for the pharmaceutical and food industries using biosynthesis and bio-extraction technologies.

Recent Developments

Developments During the Financial Year Ended December 31, 2020

On January 23, 2020, IMC Holdings entered into definitive agreements to establish a medical cannabis cultivation and processing joint venture in Greece with Galen, a Greek company established by a consortium of investors in Greece with extensive experience in the pharmaceutical, media, finance and energy sectors. As a result of the agreements, IMC Holdings acquired ownership of 25% of the paid-up capital of Shiran, a private company incorporated and registered in Greece and originally wholly-owned by Galen, while the remaining 75% remained under the ownership of Galen. Under the agreements, each party is committed to fund the initial capital expenditures, totaling approximately up to EUR 8,000,000 for the construction of an EU-GMP certified cultivation and processing facility in Greece.

Also on January 23, 2020, Shiran, Galen and IMC Holdings signed a preferred supply agreement (the "**Galen Supply Agreement**"). Under the Galen Supply Agreement, IMC Holdings has the right to purchase up to 25% of the total production of Shiran at a preferred price as determined therein, for an initial period of five years. As of the date of this Annual Information Form, no material capital expenditures have been made towards Shiran given the uncertainty relating to COVID-19 and the Company is deferring any further investment into Greece indefinitely.

On March 17, 2020, the Company held its annual general shareholders' meeting. At the meeting, incumbent director Jesse Kaplan did not seek re-election as a director of the Company and Vivian Bercovici and Rafael Gabay were elected to the Board.

On March 23, 2020, Focus signed a supply agreement (the "**Intelicanna Supply Agreement**") with Intelicanna Ltd. ("**Intelicanna**") for the purchase by Focus of a minimum of 500kg and up to 1,000kg of medical cannabis cultivated by Intelicanna. Additional purchases may be made by Focus under the Intelicanna Supply Agreement without a change to the contracted price paid to Intelicanna. The finished products are to be sold to pharmacies in Israel under the IMC brand. The Intelicanna Supply Agreement is in effect for a term of 12 months from the date of the first planting in Intelicanna's facility. Intelicanna has received access to some of Focus' unique and proprietary genetics for the sole purpose of delivering product under the Intelicanna Supply Agreement; however, the genetics remain the exclusive property of Focus. Under the Intelicanna Supply Agreement, Intelicanna is responsible for all production activities under Focus' supervision and quality control practices throughout the growing process at Intelicanna's site.

On March 30, 2020, Focus signed a binding three-year sales agreement for the sale of IMC-branded medical cannabis products (the "**March 2020 Pharmacy Sales Agreement**") to three pharmacies in Jerusalem operating under the Oranim Pharm and Medi Plus banners. Pursuant to the March 2020 Pharmacy Sales Agreement, Focus is to supply such pharmacies with a total of 800kg of medical cannabis products annually for a period of three years, commencing in 2021, for an aggregate amount of 2,400kg of medical cannabis products at a contracted price.

On March 31, 2020, Focus signed a supply agreement with Way of Life Ltd., an IMC-GAP certified cultivator ("**Way of Life**"), and Cannation Ltd., an IMC-GAP applicant ("**Cannation**", and together with Way of Life, the "**Suppliers**") to purchase a total of approximately 2,600kg of medical cannabis per year for an aggregate amount of up to 7,800kg of medical cannabis products over three years. Of the aggregate amount to be supplied under the agreement, delivery of 6,200kg was contingent upon Cannation receiving its IMC-GAP certification. All finished products produced from the medical cannabis supplied under such supply agreement will be sold under the IMC brand to pharmacies in Israel. Under the supply agreement, the Suppliers obtained access to some of Focus' unique and proprietary genetics for the sole purpose of cultivating and delivering medical cannabis under the supply agreement; however, the genetics would remain the exclusive property of Focus. In addition, Focus received access to the Suppliers' growing facilities to monitor the entire growing process. As Focus has secured the necessary supply to fulfill its delivery obligations under its pharmacy sales agreements and support its Israeli operations, and following the expiration of the milestone for Cannation to obtain IMC-GAP certification, the supply agreement with Cannation was terminated on November 24, 2020.

On April 2, 2020, the Company announced that Adjupharm had received the necessary approvals from regulatory authorities to begin imports and sales of medical cannabis products under the IMC brand to German patients.

On April 6, 2020, Focus signed a binding two-year sales agreement for the sale of medical cannabis products under the IMC brand with Shor Tabachnik pharmacies ("**Tabachnik**") (the "**Tabachnik Sales Agreement**"). According to the Tabachnik Sales Agreement, Focus will sell to Tabachnik 1,000kg of medical cannabis products under the IMC brand annually for the duration of the Tabachnik Sales Agreement at an agreed upon price beginning in 2021.

On April 13, 2020, Focus signed a binding three-year agreement for the sale of 13,575kg of medical cannabis products under the IMC brand to Super-Pharm (Israel) Ltd., the largest pharmacy chain in Israel (**Super-Pharm**") (the "**SP Sales Agreement**"). According to the SP Sales Agreement, Focus will sell to Super-Pharm a total of 13,575kg of medical cannabis products under the IMC brand over the next three years. Medical cannabis products sold under the SP Sales Agreement will include both dry inflorescence and extract products at an agreed upon price.

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

On April 14, 2020, Focus signed an agreement for the sale of up to 1,500kg of medical cannabis products under the IMC brand to Max Pharm Ltd. (**Max Pharm**") over a three year period (the "**MP Sales Agreement**"). Under the MP Sales Agreement, Focus will sell to Max Pharm a total of 500kg of medical cannabis products under the IMC brand annually at an agreed upon price beginning in 2021. Max Pharm has an option to purchase an additional 500kg of medical cannabis products from Focus in each of 2021, 2022 and 2023, for a total volume of up to 3,000kg over three years.

On April 21, 2020, Focus signed a binding three-year agreement for the sale of 12,600kg of medical cannabis products under the IMC brand to PharmYarok Ltd. (**PharmYarok**") (the "**PY Sales Agreement**"). According to the PY Sales Agreement, Focus will sell to PharmYarok a total of 12,600kg of medical cannabis products under the IMC brand between 2021 and 2023 at an agreed upon price, subject to PharmYarok meeting certain regulatory requirements. Medical cannabis products sold under the PY Sales Agreement may include both dry inflorescence and extract products.

On April 26, 2020, Focus signed a three-year definitive supply agreement (the "**Megadim Supply Agreement**") with an IMC-GAP certified independent farmer located in Megadim, Israel and licensed to cultivate medical cannabis. Under the Megadim Supply Agreement, Focus will purchase a total of up to 8,060kg of medical cannabis over three years at an agreed upon price, of which approximately 7,500kg was contingent upon the supplier meeting quality criteria set under the Megadim Supply Agreement. All finished products created from the medical cannabis pursuant to the Megadim Supply Agreement will be sold by Focus under the IMC brand to pharmacies in Israel. On February 10, 2021, the Company announced the amendment to the Megadim Supply Agreement, to reflect the supply of only three harvests of medical cannabis being purchased by Focus. Under such amendment and subject to the terms therein, upon payment for all three harvests, the Megadim Supply Agreement will be terminated. Following this change, approximately 570 kg of medical cannabis are to be provided to Focus.

On May 7, 2020, the Company announced that Adjupharm received purchase orders for an aggregate of 360kg of IMC-branded medical cannabis products pursuant to certain distribution agreements entered into with German distributors in March 2020.

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

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

On May 26, 2020, Focus received its first shipment of 200kg of imported medical cannabis from Spain-based Linneo Health S.L, the Company's EU-GMP certified supply partner for medical cannabis, to be sold in Israel under the IMC brand starting in June 2020.

On June 12, 2020, the Company signed a binding term sheet for the exclusive distribution rights of CannEpil® in Israel for a period of five years (the "**CannEpil Term Sheet**"), subject to CannEpil® meeting requirements under applicable laws to be qualified as a legal drug in Israel. CannEpil® is a phytocannabinoid medicine developed by MGC Pharmaceuticals Ltd. ("**MGC**") for the treatment of refractory epilepsy. According to the CannEpil Term Sheet, IMCC would be responsible for the registration, promotion and distribution of CannEpil® in Israel. IMCC would also obtain all necessary permits and licenses for importation and commercialization. MGC would continue to own all intellectual property rights associated with CannEpil® and its continued research and development.

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

In July 2020, Adjupharm entered into several binding medical cannabis sales agreements with the following distributors in Germany: Zur Rose Pharma GmbH ("**Zur Rose**"), Axicorp Group, Canymed GmbH and Materia Deutschland GmbH. These additional distributors brought Adjupharm's total number of contracted German distributors to seven, with definitive purchase commitments with such distributors totaling 1,525kg of medical cannabis products bearing the IMC brand to be delivered in Germany over a 12-month period. A settlement to terminate the medical cannabis sales agreement with Zur Rose was reached on March 30, 2021.

On July 24, 2020, Focus signed a supply agreement with Ever Green Solomon Pharma Ltd ("**Ever Green**") (the "**Ever Green Supply Agreement**"), an IMC-GAP certified cultivator, for the purchase of all of the medical cannabis production cultivated by Ever Green in an 86,000 square feet area of its facility, over a period of five years, with an option for Focus to extend the term by an additional five years, for a total term of up to 10 years. The finished products created from medical cannabis delivered pursuant to the Ever Green Supply Agreement will be sold by Focus to pharmacies in Israel under the IMC brand.

On July 28, 2020, the Company established a wholly-owned subsidiary in the Netherlands, IM Cannabis Holding NL B.V. ("**IMC Netherlands Holdco**"), which subsequently established another Dutch entity, IMC Holland B.V. (" **Holland B.V.** "), in which 60% is owned by IMC Netherlands Holdco, and the remaining 40% is owned by a group of four individuals with expertise in the Dutch cannabis market. Holland B.V. was incorporated for the purpose of applying for a Dutch governmental tender (the "**Dutch Tender**") and to establish a full cannabis supply chain to coffee shops in the Dutch municipalities participating in the Dutch Tender. On November 27, 2020, the Company received notice that its application for the Dutch Tender was not accepted. Accordingly, Holland B.V. was liquidated effective as of December 18, 2020. As of the date of this Annual Information Form, the Company is exploring other strategic opportunities involving successful applicants of the Dutch Tender but does not currently have any material operations in the jurisdiction.

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

On September 9, 2020, Adjupharm signed a distribution agreement for the sale of IMC-branded medical cannabis products with Farmako GmbH, bringing its total number of contracted German distributors to ten.

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

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

On October 8, 2020, the Company applied to list its Common Shares on the NASDAQ Capital Market under the trading symbol "IMCC", subject to the satisfaction of all applicable listing and regulatory requirements, including registration of the Common Shares with the SEC, and satisfaction of NASDAQ listing requirements.

On December 16, 2020, the Company's shareholders approved a special resolution authorizing a share consolidation of the Common Shares at a ratio of between three (3) and eight (8) pre-consolidation Common Shares for every one post-consolidation Common Share, to be implemented at the discretion of the Board.

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

On December 30, 2020, the Company entered into a definitive agreement with Trichome Financial Corp. (**Trichome**"), to combine their businesses pursuant to a plan of arrangement to be completed under the OBCA (the **Trichome Transaction**").

Developments Following the Financial Year Ended December 31, 2020

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

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

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

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

On March 8, 2021, the Company announced that Focus signed a multi-year supply agreement with GTEC Holdings Ltd. (**"GTEC"**), a Canadian licensed producer of handcrafted and high quality cannabis (the **"GTEC Agreement"**). 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 import of the Canadian-grown high-THC strains from GTEC's subsidiary, Grey Bruce Farms Incorporated (**"GBF"**), is expected to commence in Q2 2021, subject to fulfilling all regulatory requirements in relation to such import, including compliance with MOH regulations and receipt of a valid export license from Health Canada. According to the GTEC Agreement, Focus will purchase a minimum quantity of 500kg of high-THC medical cannabis inflorescence from GBF and will be the exclusive recipient of GTEC cannabis products in the Israeli market for a period of 12 months from the date that the first shipment of GTEC products arrives in Israel (the **"Exclusive Term"**). The Exclusive Term can be extended under the terms of the GTEC Agreement by an additional 6 months.

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

On March 12, 2021, Adjupharm entered into a supply agreement with 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 are expected to commence in Q2 2021.

On March 18, 2021, the Company acquired all of Trichome's issued and outstanding shares (the **"Trichome Shares"**) and closed 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, resulting in former Trichome Securityholders holding approximately 20.06% of the total number of issued and outstanding Common Shares immediately after closing. In addition, 100,916 Common Shares were issued to financial advisors for advisory fees in connection with the Trichome Transaction.

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.

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 USD 250,000,000 (or its equivalent in other currencies) of Common Shares, warrants, subscription receipts, debt securities, units (collectively, the "**Qualified Securities**"), or any combination of such Qualified Securities from time to time, during the 25-month period that the Final Shelf Prospectus is effective. The specific terms of any offering under the Final Shelf Prospectus and the intended use of the net proceeds will be established in a prospectus supplement, which will be filed with the Securities Commissions and the SEC in connection with any such offering.

In March 2021, Adjupharm entered into two supply agreements with supply partners in China, under which Adjupharm 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 supplied from the China-based suppliers, to be distributed to pharmacies and retailers in Germany.

On April 1, 2021, the Company entered into a definitive agreement to acquire MYM Nutraceuticals Inc. ("**MYM**"), pursuant to a plan of arrangement to be completed under the OBCA (the "**MYM Transaction**"). MYM is a Canadian cultivator, processor, and distributor of premium cannabis via its two wholly owned subsidiaries - Highland Grow Inc., in Antigonish, Nova Scotia and SublimeCulture Inc., in Laval, Quebec. Under the terms of the MYM Transaction, the shareholders of MYM will receive 0.022 Common Shares for each common share of MYM. Upon completion of the MYM Transaction, former MYM shareholders will own approximately 14.5% of the Company. The completion of the MYM Transaction is expected to occur before the end of 2021, and it will be subject to required court, securityholder and regulatory approvals.

DESCRIPTION OF THE BUSINESS

General

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

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. As part of its core Israeli business, the Company offers intellectual property-related services to the medical cannabis industry based on proprietary processes and technologies it developed for the production of medical cannabis products. The Company offers its intellectual property and consulting services to Focus pursuant to the Commercial Agreements and receives as consideration for such services a share of Focus' revenues resulting from the sales of medical cannabis products under the IMC brand. During the twelve month period ended December 31, 2020, the revenues generated by Focus formed a significant portion of the Company's total revenues. The Company is currently focused on implementing its global expansion strategy with the penetration of both the European and Canadian cannabis markets.

In Europe, the Company operates in Germany through Adjupharm, a German-based subsidiary and EU-GMP certified medical cannabis producer and distributor, which provides the Company with a platform to establish and entrench its brand in Germany and other European jurisdictions, applying the experience it gained in the Israeli market. The Company's European presence is augmented by strategic alliances with a network of certified distributors and suppliers across the continent and internationally. 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 to gain traction in the German and European markets and build support among physicians that prescribe medical cannabis products. The Company has engaged in exploratory operations to expand to Portugal and Greece, however it has deferred any further investment in these jurisdictions indefinitely in light of the uncertainty related to COVID-19. The Company has also engaged in exploratory efforts in the Netherlands and is seeking collaborative opportunities with successful applicants of the Dutch Tender, however it does not currently have any material operations in the jurisdiction.

The Company has long-term plans to expand its European operations by engaging in strategic acquisitions across Europe.

Following the successful completion of the Trichome Transaction on March 18, 2021, the Group's global platform now includes the adult-use recreational cannabis market in Canada, in addition to its established distribution channels for medical cannabis in Israel through Focus and in Germany through Adjupharm.

In Canada, the Company operates through Trichome, a Canadian-based subsidiary, and through Trichome JWC Acquisition Corp. ("**TJAC**") d/b/a JWC, a wholly-owned subsidiary of Trichome and Canadian federally licensed producer of cannabis products in the adult-use recreational cannabis market in Canada. TJAC acquired substantially all of the assets of James E. Wagner Cultivation Corp. on August 28, 2020, under a court supervised process pursuant to the *Companies' Creditors Arrangement Act (Canada)*. Trichome is now focused on acquiring related assets to compliment TJAC and leveraging the knowledge, expertise and insights of its employees, management and founders. Furthermore, the Company expects TJAC's premium indoor cultivation facility in Canada to serve as a long-term source of premium cannabis supply for the Group.

The Company is focused on further implementing an aggressive and accretive acquisition strategy focusing on attractively valued and highly synergistic targets in Canada, including its proposed acquisition of MYM. Additionally, the Group is focused on diversifying its product portfolio with premium and super premium medical cannabis products, leveraging its Canadian acquisition strategy that is expected to result in additional opportunities to export premium cannabis products to both Israel and Germany.

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 is expected to facilitate and further enhance its business relationship with pharmacies in Germany and support its distribution platform for medical cannabis. In light of the uncertainty related to COVID-19, the Company will examine the continued demand of the German market for such test kits prior to any further engagement relating thereto. For more information, please see "*General Development of Business - Recent Developments*".

The consolidated revenue of the Group has been generated from the sale of medical cannabis products to customers in Israel and Germany by Focus and Adjupharm, respectively. Following the completion of the Trichome Transaction, Trichome's revenues generated from its cannabis financing activities and subsidiary activities will also be included in such consolidated revenue.The Group does not engage in any U.S. cannabis-related activities as defined in CSA Staff Notice 51-352.

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. However, under IFRS 10, the Company is required to consolidate the results of Focus, an Israeli licensed propagator and cultivator of medical cannabis products. Focus operates under the regulations of medical cannabis products by the MOH through the IMCA to propagate and cultivate medical cannabis products in Israel. All of Focus' operations are performed pursuant to the Dangerous Drugs Ordinance and the related regulations issued by IMCA. While IMCC does not hold any of the Israeli licenses mentioned above and does not own Focus, it derives a significant portion of its consolidated revenues from Focus' revenue, which is primarily earned from the medical cannabis sales agreements that Focus has with various pharmacies in Israel. Furthermore, the Company has an option under the Focus Agreement to re-acquire 74% ownership of Focus. For more information, please see "*Corporate Structure - Intercorporate Relationships*" and "*Note Regarding the Company's Accounting Practices*".

Principal Products and Brands

"IMC" is a well-known medical cannabis brand in Israel. Leveraging its long-term success in the Israeli market, the Company launched the brand in Germany in 2020. The Company believes that the IMC brand has become synonymous with quality and consistency in the Israeli medical cannabis market and it was chosen as one of the top four favourite brands in Israel. [5]

In association with Focus, the Company maintains a brand portfolio that includes popular medical cannabis inflorescences such as Roma, Dairy Queen, London, Tel Aviv and Pandora Box, as well as full-spectrum cannabis extracts:

'Roma' is marketed as an elegant strain that is known for its strong impact and influence. Roma was chosen as one of the most favoured strains in Israel.[6] 'Tel-Aviv' is marketed as sativa dominated strain that is known for uplifting the spirit and enhancing creativity. Both Roma and Tel-Aviv contain THC, CBD, and CBN within the following ranges: 16-24% (THC), 0-7% (CBD), and CBN lower than 1.5%.

'London' is marketed as a distinct indica, which stands out due to its flavor and strong influence. 'Dairy Queen' is marketed as a rich, velvety strain with a cherry aroma that may assist with reducing stress and producing calmness. 'Pandora Box' is marketed as a sativa dominate strain, which confers a sense of spirit uplifting, energy and vitality. London, Dairy Queen, and Pandora Box contain THC, CBD, and CBN within the following ranges: 11-19% (THC), 0-5.5% (CBD), and CBN lower than 1.5%.

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

[6] According to a survey carried out by Cannabis Magazine among 519 patients licensed by the MOH to consume medical cannabis (Aug2020, Israel).

All of the products are tested in certified labs according to MOH standards and certified before being packaged and labelled with detailed information about the THC, CBD and CBN content of each product.[7]

Israeli patients using IMC branded products reported[8] improvements of 60% in oncology patients health status, 80.5% in rheumatoid arthritis, 58% in back pain, 42% in Post Traumatic Stress Disorder (PTSD), 38% insomnia patients sleep quality, and of other influences such as calm, appetite and libido.

In Germany, the Company sells an IMC-branded medical cannabis inflorescence products. The medical cannabis product sold in the German market is branded generically as "IMC" so as to rely on the Company's name recognition in establishing a foothold with German consumers.

In March 2021, Adjupharm launched a new medical cannabis inflorescence product with THC and CBD levels of 17% and 1%, respectively, under the IMC brand. The new product will be distributed pursuant to Adjupharm's distribution agreements with its German distribution partners.

In Canada, commencing March 18, 2021, following completion of the Trichome Transaction, the Company's product portfolio consists of primarily dried inflorescence, pre-rolled cannabis, pressed hash and kief offerings sold by TJAC under the JWC brand into the Canadian adult use recreational cannabis market. Dried inflorescence is sold primarily in 3.5 gram, 14 gram and 28 gram formats, all pre-rolls were sold in a 3 x 0.5 gram format and both hash and kief sold in 1 gram and 2 gram formats.

In 2021, TJAC will continue to offer its existing product portfolio and plans to introduce additional offerings in the form of new dried inflorescence strains, new packaging formats and a rebranding of its dried inflorescence, pre-rolled cannabis, hash and kief products under the company's recently launched Wagners Brand.

New Products

In March 2021, Adjupharm launched a new medical cannabis inflorescence product with THC and CBD levels of 17% and 1%, respectively, under the IMC brand. The new product will be distributed pursuant to Adjupharm's distribution agreements with its German distribution partners.

In March 2021, Adjupharm entered into a supply agreement with MediPharm Labs, which will enable Adjupharm, subject to the fulfilment of applicable regulatory and import requirements, to launch a new category of IMC-branded extracts in Germany. This will include a range of specially formulated high THC, balanced THC and CBD cannabis oil products expected to launch in Germany in the second half of 2021.

The Group intends to, subject to applicable laws and regulatory approvals, distribute CannEpil®, a phytocannabinoid medicine developed by MGC, to be used for the treatment of refractory epilepsy. The distribution of CannEpil® is subject to the execution of a definitive distribution agreement.

---

[7] (1) The actual percentages of THC and CBD content are determined by certified laboratory inspections and disclosed on the label of each IMC-branded medical cannabis product sold in Israel. Depending on such THC and CBD content, each IMC-branded medical cannabis product is labelled based on the following categories, in accordance with MOH Regulations: (a) 'T20/C4' (THC 16-24% and CBD 0-7%); (b) 'T15/C3' (THC 11-19% and CBD 0-5.5%); (c) 'T10/C2' (THC 6-14% and CBD 0-3.8%); (d) 'T10/C10' (THC 6-14% and CBD 6-14%); (e) 'T5/C5' (THC 1-9% and CBD 1-9%); (f) 'T0/C24' (THC 0-0.5% and CBD 20-28%); (g) 'T1/C20' (THC 0-2.5% and CBD 16-24%); (h) 'T3/C15' (THC 0.5-5.5% and CBD 11-19%); and (i) 'T5/C10' (THC 2.5-7.5% and CBD 6-14%). For all IMC-branded medical cannabis products, CBN content is less than or equal to 1.5%. The stated THC, CBD and CBN 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.

[8] An independent clinical survey evaluated the effect of IMC branded strains on 652 Israeli medical cannabis patients licensed by the MOH for consuming medical cannabis products. The survey was managed, to the request of the Company, by an independent CRO - MediCaNL Israel, with data collected by third party survey and polling company iPanel, and analyzed by Dr. Nira Morag, senior lecturer, biostatistics department, Tel Aviv University.

The Group intends to, subject to applicable laws and regulatory approvals, distribute CannEpil®, a phytocannabinoid medicine developed by MGC, to be used for the treatment of refractory epilepsy. The distribution of CannEpil® is subject to the execution of a definitive distribution agreement.

Revenue

The following table shows the sales figures in dollars for each category of products that accounted for 15% or more of the total consolidated revenue of the Company for the financial years ended December 31, 2020 and 2019, derived from (a) sales to entities in which the Company maintains an investment accounted for by the equity method; (b) sales to customers, other than those referred to in (a); and (c) sales or transfers to controlling shareholders.

Revenue By Product Type				
Financial Year	**Medical Cannabis Dried Inflorescence or Extract T15/C3[(1)]**	**Medical Cannabis Dried Inflorescence or Extract T20/C4[(2)]**	**Other**	**Total**
2020	$4,673,000	$8,697,000	$2,520,000	**$15,890,000**
2019	$2,907,000	$3,405,000	$2,762,000	**$9,074,000**

Notes:
(1) IMC-branded medical cannabis products marked and sold under the category 'T15/C3', reflecting THC content of 11-19% and CBD content of 0-5.5%.
(2) IMC-branded medical cannabis products marked and sold under the category 'T20/C4', reflecting THC content of 16-24% and CBD content of 0-7%.

Production, Distribution and Sales in Principal Markets

Israel

The Company does not directly produce or distribute medical cannabis products in Israel. Pursuant to the Commercial Agreements, Focus propagates and cultivates medical cannabis products to be distributed under the IMC brand. Finished medical cannabis products are sold by Focus under the IMC brand to local pharmacies in Israel through contracted distributors. Focus holds a license from the MOH to propagate and cultivate medical cannabis in the State of Israel (the "**Focus License**"). Focus is one of the eight medical cannabis producers initially licensed by Israeli regulatory authorities and has over 10 years of experience in growing high quality medical cannabis products for the Israeli market. The MOH recently renewed the Focus License to be valid until January 3, 2022. All of Focus' operations are performed pursuant to the Dangerous Drugs Ordinance and the related regulations issued by IMCA.

Focus currently operates the Focus Facility, which has a total of approximately 300,000 square feet of cultivation capacity and a current annual output capability of up to 5,000kg of medical cannabis. Focus supplements its cultivation and production output by securing supply agreements with third-party cultivators to deliver medical cannabis for sale under the IMC brand.

The Company is actively seeking to provide its intellectual property, know-how and services to other Israeli medical cannabis producers.

Europe

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

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

Germany

The Company's European strategy is centered in Germany, whose medical cannabis market is currently considered the largest in Europe.[9] Adjupharm serves as the Company's principal operating hub in the German market and was originally acquired by IMC Holdings in early 2019. The Company, through IMC Holdings, currently owns 90.02% of Adjupharm, with the balance owned by Adjupharm's CEO.

The Company continues to develop Adjupharm as its European hub and to expand its presence in the German market by forging partnerships with pharmacies and distributors across the country. Led by Adjupharm's CEO Richard Balla, the Company's objective is to capture a significant market share in Germany by working directly with distributors to increase market reach for products bearing the IMC brand. The Company currently has an approximately 3,200 square feet EU-GMP production and warehousing facility in Germany and is in the process of expanding its facilities by an additional 3,200 square feet. Adjupharm sources its supply of medical cannabis for the German market from EU-GMP certified suppliers.

Adjupharm relies on its sales and distribution agreements to supply and distribute IMC-branded products to distribution partners in Germany, which are then distributed to German pharmacies. There are approximately 19,000 community pharmacies in Germany, each of which is permitted to create and dispense medications, including medical cannabis, pursuant to physician prescriptions. [10] Adjupharm recently completed the expansion of its internal and external sales department and is focused on increasing physician awareness and engagement to drive sales of IMC-branded medical cannabis products. The competitive advantage in Germany lies in the Group's track record and brand reputation in Israel and proprietary data supporting the effectiveness of medical cannabis for the treatment of a variety of conditions.

[9] Health Europa, June 23, 2020. https://www.healtheuropa.eu/exploring-growth-in-the-european-medical-cannabis-market/100849/

[10] Federal Union of German Associations of Pharmacists: Figures Data Facts 2020.

The Company is actively seeking additional supply partners to diversify its sources of supply of premium and super premium cannabis products and further develop its European presence. For more details on Adjupharm's agreements with third-party distributors, see "*General Development of the Business - Recent Developments*".

Canada

Commencing March 18, 2021, following completion of the Trichome Transaction, the Company is acting in the adult-use recreational cannabis market in Canada, through Trichome, and TJAC, Trichome's wholly owned subsidiary. TJAC holds Standard Processing, Standard Cultivation and Sale for Medical Purposes licenses (collectively the "**TJAC Licenses**") issued to it by Health Canada, which are permitting it to cultivate, produce and sell cannabis products in Canada. Trichome was formed in 2017 as a specialty finance company focused on providing flexible and creative capital solutions to the global legal cannabis market, due to the lack of credit availability in the industry, extremely high equity valuations, and lack of business and industry maturity. From 2018 to 2020, Trichome provided secured financing to numerous companies in the cannabis sector, including licensed producers and retail operators. This strategy provided attractive rates of return on invested capital with downside protection given Trichome's high underwriting standards and the unique transaction structures employed.

Trichome is currently focused on supporting TJAC's operations and growing the related cannabis production platform by acquiring and restructuring cannabis assets that are complimentary to, and synergistic with TJAC.

TJAC operates an approximately 117,000 square feet indoor cultivation facility (the "**Indoor Facility**"), with approximately 80,000 square feet of space for the cultivation of cannabis. All of TJAC's cultivation occurs at this site, as well as certain processing activities, such as plant drying, bucking and trimming. Current cultivation capacity at the Indoor Facility is approximately 7,000kg per year, with the potential for approximately twice the amount of production in the next 12-24 months, subject to capital investment and procedural optimization. In addition, TJAC operates another facility of an approximately 15,000 square feet, which is the site where certain processing and all packaging, sales and shipping activities of the business occur (collectively with the Indoor Facility, the "**TJAC Facilities**"). The TJAC Facilities are located in in Kitchener, Ontario and are operated pursuant to certain lease agreements (the "**TJAC Leases**").

Like all licensed producers, TJAC is required to sell and distribute its products directly and only to the provinces of Ontario, British Columbia and New Brunswick, from which retail operators purchase their inventory. Licensed producers are not permitted to sell directly to retailer locations in such provinces. In Saskatchewan, TJAC sells its product to a third-party, intermediary wholesaler who then sells and distributes TJAC's product to the province's retail stores. In addition, TJAC has authorization to sell into Prince Edward Island and expects to do so in the coming months. TJAC is also in the process of applying for authorizations to distribute its cannabis portfolio in Alberta and Manitoba and is exploring partnership arrangements to facilitate the distribution of its products in Quebec through an authorized third-party licensed producer.

From time to time, TJAC has entered and may again enter into one-time, business-to-business purchase or supply agreements with other licensed producers, as may be required to back-fill its own purchase orders from the provinces (in the case of a purchase agreement) or back-fill another licensed producer's supply requirements (in the case of a supply agreement).

TJAC is in the late stages of winding up its medical sales program and will no longer fulfill sales directly to medical patients, effective as of May 1, 2021.

Specialized Skill and Knowledge

The Group relies on the expertise of its personnel to provide value to its clients. The Group has over 10 years of experience in cultivating, propagating and processing cannabis under the guidance of experienced master grower, Doron Reznik. Following the IMC Restructuring, IMC Holdings retained its master grower to continue providing cannabis cultivation and production advice exclusively to Focus and Focus' third-party cultivation partners.

Competitive Conditions

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

The Company faces competition in Israel among similar intellectual property-related service providers and from other established brands in the domestic market. The Company expects that its experience and track record, attained via the combination of Focus' operations over the past decade and IMC brand recognition, will distinguish its offerings from competitors in the Israeli market. Focus also competes with other licensed cultivators and purveyors of medical cannabis brands offering products to local pharmacies.

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

Components

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

Intangible Properties

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

"IMC" is a registered trade name and trademark valid in Israel through May 2027 and in Germany through May 2030. During the fourth quarter of 2020, the Company applied for the registration of "IMC" as a trade name and trademark with the European Union Intellectual Property Office including an extension through the World Intellectual Property Organization to Switzerland, Norway and the United Kingdom. In Canada, the Company has engaged with authorities regarding a trademark registered under the IMC name for use in connection with various food supplements, vitamins, minerals and proteins and is awaiting a response to its submissions.

In addition, TJAC has commenced trademark applications for the names "Wagners" and "Well Made Weed" in Canada. All intellectual property acquired by TJAC from its acquisition of substantially all of the assets of James E. Wagner Cultivation Corp. has been determined to be of no value to the company. Accordingly, TJAC has either abandoned or will be abandoning such intellectual property and/or related applications.

Cycles

The demand for both medical cannabis products and recreational cannabis products is not materially influenced by seasonal or cyclical trends , and subject to the continued increase in demand in the medical cannabis market,[11] is consistent year-round. In addition, the Company's cultivation strategy, as well as its ability to secure additional supply from its cultivation partners, allows Focus, Adjupharm and TJAC to provide consistent supply of cannabis products to their respective customers all year-round.

Economic Dependence

The Company is substantially dependent on Focus' sales and distribution agreements with pharmacies and distributors in the Israeli market, as listed and described under "*General Development of the Business - Recent Developments*", and additional sales to pharmacies and distributors through purchase orders received from time to time, in order to maintain revenues. In light of this dependence, any failure to maintain the Focus License or the Focus Lease Agreement or keep the Focus Facility in good standing, could have a material adverse effect on the Group. For additional information on potential risks arising from the Company's dependence on Focus' operations, see "*Risk Factors*" below.

Focus relies on and is substantially dependent on supply agreements with third-party cannabis cultivators to fulfill the supply requirements of its distribution and sales agreements with pharmacies in the Israeli market. For further information on such supply agreements, see "*General Development of the Business - Recent Developments*".

---

[11] IMCA - Up-to-date data from patient licenses (November 2020). P. 2 [Hebrew]
https://www.health.gov.il/Subjects/cannabis/Documents/licenses-status-november-2020.pdf
https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=2010000801&pickMembers%5B0%5D=2.30&pickMembers%5B1%5D=3.1&cubeTimeFrame.startMonth=01&cubeTimeFrame.startYear=2020&cubeTimeFrame.endMonth=02&cubeTimeFrame.endYear=2021&referencePeriods=20200101%2C20210201

Similar to Focus, Adjupharm is substantially dependent on the supply, sales and distribution agreements with suppliers and German distributors, as listed and described under "*General Development of the Business - Recent Developments*". Certain German distributors have entered into significant binding purchase commitments with Adjupharm whereby Adjupharm is to supply the German distributors with medical cannabis products bearing the IMC brand for distribution across Europe. Any failure to maintain the Adjupharm License in good standing could have a material adverse effect on the Group. For additional information on potential risks arising from the Company's dependence on Adjupharm's operations, see "*Risk Factors*" below.

TJAC relies on and is substantially dependent on supply agreements for the sale of its products with certain provinces in Canada, with particular concentration in Ontario and British Columbia, in order to maintain revenues. A loss of one or a number of such supply agreements could materially impact TJAC's profit margins for the foreseeable future by requiring TJAC to sell at lower margins through alternative sales channels, unless more suitable sales arrangements could be secured. Furthermore, in light of this dependence, any failure to maintain the TJAC Licenses or the TJAC Leases in good standing could have a material adverse effect on the Group.

Changes to Contracts

There were no changes to contracts that materially affected the Company's financial year ended December 31, 2020. As of the date of this Annual Information Form, the Company does not anticipate being materially affected by the renegotiation or termination of any contracts or sub-contracts in the current financial year.

Environmental Protection

The Group's operations are subject to local environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and nonhazardous materials and wastes, and employee health and safety. The Company places great importance on being a constructive and responsible contributor to the environment and incurs ongoing costs and obligations to ensure compliance with all applicable environmental and employee health and safety matters.

Employees

As of December 31, 2020, the Company and its subsidiaries employed approximately 24 employees and Focus employed approximately 55 employees.

As of the date of this Annual Information Form, the Company and its subsidiaries employ approximately 200 employees and Focus employs approximately 50 employees. Medical Cannabis Regulatory Framework in Israel and Germany.

Medical Cannabis Regulatory Framework in Israel and Germany

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

Israel

Medical cannabis was first made available to patients in Israel in the early 1990s.[12] Since then, Israel has developed one of the oldest medical marijuana research and business centers in the world, hosting dozens of cannabis companies and clinical studies pioneering how the plant can be used to treat cancer, epilepsy, post-traumatic stress disorder and other conditions. It has also been a leader in cultivation science.

The regulatory framework of medical cannabis in Israel has developed alongside the industry, as government organizations and directives have been established to legalize and facilitate the commercial operations of medical cannabis products in the country. In Israel, cannabis is currently defined as a "dangerous drug" according to both the Dangerous Drugs Ordinance [13] and the 1961 Single Convention on Narcotic Drugs, to which Israel is a signatory. However, both the Dangerous Drugs Ordinance and the 1961 Single Convention on Narcotic Drugs allow for the use of cannabis for medical or research purposes under a supervised and controlled regime. In part to the growing evidence on the medicinal benefits of cannabis, the Israeli government on August 7, 2011 published Government Res. No. 3069 [14] which laid the foundation for the National Medical Cannabis Program (the "**NMCP**"). The MOH, which is responsible for determining Israel's policies on matters of health and medical services, established the IMCA, or "YAKAR" in Hebrew, as the key agency to administrate the NMCP and the regulation of the Israeli cannabis sector. Regulated activities include the cultivation, production, distribution, delivery, possession, transportation, destruction of medical cannabis and related laboratory services. Israeli laws require anyone engaging in such activities to obtain an appropriate license issued by the IMCA under the Dangerous Drugs Ordinance and comply with the terms and conditions of such license. The production and distribution of adult-use recreational cannabis products is currently illegal in Israel.

The Israeli government has acknowledged that cannabis-based products may assist patients with certain medical conditions. In 2016, the Israeli government passed Government Res, No. 1587 ("**Resolution 1587**"), [15] which outlines the "medicalization" of cannabis products. Resolution 1587 ensures the establishment of professional criteria for medical conditions to authorize patients for treatment with medical cannabis products, accessibility to the treatment, supply of medical-grade cannabis products and proper supervision of the product. Pursuant to the NMCP, the MOH is authorized to issue permits to patients related to the use of cannabis for medicinal purposes. The IMCA has established a regulatory "road map" for the licensing of commercial activities in the medical cannabis field, including the operation of commercial medical cannabis facilities in Israel.

The IMCA has since issued additional regulations setting out appropriate quality standards for the medical use of cannabis in a manner similar to the use of existing medicines. Israel has also begun establishing and broadening the scope of the NMCP to apply to all levels of the supply chain of medical cannabis based on Israeli government resolutions and administrative orders issued by the MOH. Activities conducted pursuant to the NMCP are under the control and supervision of the IMCA.

---

[12] Ministry of Economy and Industry State of Israel, Israel's Medical Cannabis Innovation (August 2019). Pg. 12.https://investinisrael.gov.il/Documents/RoundTable/medical-cannabis-doc250919.pdf

[13] Cannabis is listed in schedule 1 of the Dangerous Drugs Ordinance [New Version], 1973 [Hebrew] https://www.health.gov.il/LegislationLibrary/Samim_01_EN.pdf

[14] Israeli Government Res. No. 3609 [Hebrew], August 7th, 2011https://www.gov.il/he/Departments/policies/2011_des3609

[15] Israeli Government Res. No. 1587 [Hebrew], June 26, 2016https://www.gov.il/he/departments/policies/2016_dec1587a

Patient Medical Use

The IMCA is responsible for reviewing applications and issuing permits to patients to hold and use medical cannabis products pursuant to Procedure 106 of the MOH (**Procedure 106**"). [16] Procedure 106 sets out a list of medical conditions that may be treated with medical cannabis products. Such authorized medical conditions are examined and updated from time to time. For medical conditions that are not listed in Procedure 106, patients can apply for exceptions on extraordinary grounds.

An application for the approval of cannabis use for medical reasons, or an application for a license renewal or a change of dosage or form of consumption, must be submitted according to Procedure 106.

According to data from the MOH [17] from November 2020, there were 77,338 patients licensed for medical cannabis usage in Israel. This figure reflected an increase of approximately 50% from the MOH's November 2019 figures.

Licensing and Authorization for Commercial Activities in the Medical Cannabis Field

In December 2017, pursuant to the NMCP, the MOH issued regulations that standardized the licensing process of growers, manufacturers, suppliers and pharmacies wishing to conduct commercial activities in the field of medical cannabis (the**Road Map**"). [18]

Pursuant to the Road Map, each operation in the medical cannabis field, including the cultivation, production, distribution, delivery, possession, transportation, destruction, and laboratory services, requires compliance with the provisions of applicable laws, including the procurement of an appropriate license under the Dangerous Drug Ordinance from the IMCA and the maintenance of such license in good standing. In addition, the Road Map does not allow an operating entity to conduct operations in more than one of the 'growth', 'production' and 'delivery' sub-sectors of the commercial medical cannabis chain; however, owners may partially or wholly own multiple operating entities operating in different sub-sectors.

The following is a list of operational licenses that may be obtained pursuant to Israeli regulations (the **Cannabis Licenses**", and each a "**Cannabis License**") which, subject to certain exceptions, must be held by separate legal entities:

- License for a medical cannabis propagation facility*;
- License for a medical cannabis cultivation facility*;
- License for a medical cannabis products manufacturing facility;
- License for a medical cannabis storage and retail facility;

[16] Ministry of Health Pharmaceutical Division Policy Number 106 - Licenses for Use of Cannabis
https://www.health.gov.il/hozer/DR_106.pdf (in Hebrew)
[17] Updated Data from Patients' Licenses, November 2020 - https://www.health.gov.il/Subjects/cannabis/Documents/licenses-status-november-2020.pdf (in Hebrew)
[18] Directive 107 - Guidelines for the process of licensing the practice of cannabis for medical use, as amended on October 2020 [Hebrew] -https://www.health.gov.il/hozer/CN_107_2019.pdf

- License for a pharmacy authorized to distribute medical cannabis; and
- Other licenses for the destruction, transportation and research and development activities with respect to medical cannabis.

*These licenses may be held concurrently by a single entity.

Cannabis Licenses may not be transferred, exchanged or assigned. They are valid for a period of up to 3 years and may be renewed with the approval of the IMCA.

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

Changes under the MOH Regulations

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

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

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

Medical Cannabis Imports

In October 2020, the MOH issued an updated procedure, titled "Guidelines for Approval of Applications for Importation of Dangerous Drug of Cannabis Type for Medical Use and for Research" (**Procedure 109**"), describing the application requirements for cannabis import licenses for medical and research purposes. According to Procedure 109, the following permits and licenses are required to receive a cannabis import license:

1. License to possess medical cannabis and operate in the medical cannabis industry;

2. License to import plant material;

3. Permit to import narcotic drugs; and

4. License to import a dangerous drug.

Medical Cannabis Exports

The Israeli government approved a legislative reform on January 27, 2019[19] (the "**Export Resolution**") allowing the export of certain cannabis products, subject to the terms and conditions of the applicable license granted by the MOH. In addition, the cannabis products must meet the quality standards of the MOH and be delivered only to countries that have signed the 1961 Single Convention on Narcotic Drugs [20] and approved the import of cannabis products into their territory; provided however, that the export shall be made, and the applicable export license shall be provided, in accordance with the respective regulations set by the MOH.

In October 2020, the MOH launched a new pilot program under which medical cannabis producers would be authorized to export medical cannabis products, subject to the requirement that certain products be made available at a fixed price of NIS 14 per gram to patients in Israel over the age of 21 and NIS 10 per gram to patients under the age of 21 (the "**Pilot Program**"). Each participating company would decide the selection of medical cannabis products made available under the Pilot Program. The Pilot Program was planned for an initial period of three months and was extended in January 2021. As products bearing the IMC brand are offered as part of the Pilot Program, IMC-branded products are eligible for immediate application for export permits.

In December 2020, the IMCA published guidelines for the medical cannabis export permit application process[21] (the "**Export Guidelines**"), pursuant to which an export permit will only be granted to an applicant if (i) sufficient domestic supply has been secured by such applicant in the variety and quantity that will meet the Israeli level of demand; (ii) the delivery of medical cannabis is made from approved sites; (iii) the applicant has a valid IMC-GDP certification and business license from the IMCA; and (iv) an import permit from the importing country is obtained and attached to the export application. The term to apply for export permits under the program, according to the Export Guidelines, was set to expire at the end of Q1 2021. Further extensions are being considered by the IMCA based on the success of the Pilot Program.

Legalization of Adult-Use Recreational Cannabis in Israel

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

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

[20] *Single Convention on Narcotic Drugs, 1961*, as amended by the 1972 Protocol amending the *Single Convention on Narcotic Drugs, 1961* - https://www.unodc.org/pdf/convention_1961_en.pdf

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

In December 2020, the governing Israeli parliament dissolved and general elections were scheduled for March 2021. All such legislative initiatives were suspended and there is no certainty regarding their renewal following a formation of a new government pursuant to the March 2021 elections.

Germany

On March 10, 2017, the German federal government enacted bill Bundestag-Drucksache 18/8965 -*Law amending narcotics and other regulations*that amended existing narcotics legislation to recognize cannabis as a form of medicine (in concrete: narcotic), and allow for the importation and domestic cultivation of medical cannabis products. Under the updated legislation, cannabis is listed in Annex 3 to the *Federal Narcotics Act* ("**BtMG**") as a "marketable narcotic suitable for prescription". Legalization in Germany applies only to cannabis "stemming from cultivation for medicinal purposes under state control in accordance with Articles 23 and 28 (1) of the 1961 Single Convention on Narcotic Drugs, and in preparations as finished medicinal products." Currently, the production, distribution, exportation and importation of medical cannabis products in Germany is legal, subject to regulations and licensing requirements, while operations involving adult-use recreational cannabis products remain illegal. Medical cannabis in Germany must comply with the corresponding monographs of the German and European pharmacopoeia.

The German medical cannabis licensing regime can be separated into two parts: generally, on the basis of Section 13 of the*German Medicines Act* ("**AMG**"); and with regard to narcotics, on the basis of Section 3 of the BtMG (both under federal jurisdiction). The import, export and distribution of medical cannabis currently requires a wholesale permit pursuant to Section 52a of the AMG and a distribution permit for narcotics pursuant to Section 3 of the BtMG. Manufacturing operations require authorizations pursuant to Sections 13 and 52a of the AMG. All BtMG permit applications must specify the strains and estimated quantities of medical cannabis involved and any subsequent changes must be reported to the Federal Opium Agency of Germany. The import of medical cannabis from other EU and non-EU countries requires quantity-based import licenses pursuant to Section 11 of the BtMG. In addition, for imports from a non-EU country, an import certificate pursuant to Section 72a of the AMG is required and in certain circumstances, depending on the import source, a general import permit may also be required under Section 72 of the AMG.

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

Cultivation in Germany and Distribution of Medical Cannabis Cultivated in Germany

The Federal Opium Agency of Germany's Federal Institute for Drugs and Medical Devices ("**BfArM**") formed a cannabis division (the "**Cannabis Agency**") to oversee cultivation, harvesting, processing, quality control, storage, packaging and distribution to wholesalers, pharmacists and manufacturers. The Cannabis Agency also regulates pricing of German-produced medical cannabis products and serves as an intermediary of medical cannabis product sales between manufacturers, wholesalers and pharmacies on a non-profit basis. [22] The Cannabis Agency has no influence on the actual retail price of medical cannabis products. The responsibilities of the Cannabis Agency are based on the requirements of the 1961 Single Convention on Narcotic Drugs. The Cannabis Agency is not responsible for the import of medical cannabis products and will therefore neither purchase nor distribute imported medical cannabis products. As a wholesaler, the Cannabis Agency sells German-based medical cannabis products in its own name. The Cannabis Agency contracted with a distributor that was selected in a Europe-wide tender procedure and commissioned it to carry out the distribution of medical cannabis products in accordance with all pharmaceutical and narcotic legal requirements.

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

In late 2018, the Cannabis Agency issued a call for tenders to award licenses for local medical cannabis cultivation and distribution of German-cultivated medical cannabis products (the "**German Local Tender**"). The Cannabis Agency would serve as an intermediary in the supply chain between such cultivation and distribution. Following a delay caused by a legal proceeding regarding the initial tender process, BfArM relaunched the application process and selected 13 cultivation lots in April 2019 to receive licenses. Each license permitted the holder to grow up to 200kg per year for total production of 2,600kg per year collectively from the 13 cultivation lots and 10,400kg over the four-year license period. According to the German government, the first deliveries of medical cannabis products for purchase by the Cannabis Agency are expected in the first quarter of 2021. [23] As no further notifications have been published in this regard, it cannot be assumed that harvesting took place in the first quarter. Rather, it can be assumed that one will only take place in the course of 2021. For distribution of locally cultivated medical cannabis products, one pharmaceutical wholesaler was granted a distribution license in order to organize the storage and distribution of medical cannabis products to pharmacies on behalf of the Cannabis Agency.

Import volumes and procedures

The current regime permits the importation of cannabis plants and plant parts for medicinal purposes under state control subject to the requirements under the 1961 Single Convention on Narcotic Drugs. Pursuant to the 1961 Single Convention on Narcotic Drugs, Germany must estimate the expected demand of medical cannabis products for medical and research purposes for the following year and report such estimates to the International Narcotics Control Board. The estimates are also required to be reported by the Federal Opium Agency of Germany by June 30th of each year.

As a prerequisite to obtaining a German import license, an applicant must have EU-GMP Standard and EU-GACP Standard certifications. All medical cannabis products imported to Germany must have been cultivated in a country with regulations compliant with Articles 23 and 28(1) of the 1961 Single Convention on Narcotic Drugs, and must comply with the relevant monographs described in the German and European pharmacopeias. While these requirements also apply to the exportation of medical cannabis products, the current German regime does not allow domestically cultivated medical cannabis products to be directly sold to commercial entities other than the Cannabis Agency.

Dispensing Exclusively via Pharmacies

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

[23] www.bfarm.de/SharedDocs/Pressemitteilungen/DE/2019/pm4-2019.html

In addition to magistral preparations, medical cannabis products are also marketable as pre-packaged, licensed drugs.

Recreational Cannabis Regulatory Framework in Canada

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

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

Licensing

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

Security Clearances

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

Cannabis Tracking System

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

Cannabis Products

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

Packaging & Labelling

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

Promotion

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

Medical Cannabis

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

Provincial and Territorial Regulatory Framework

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

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

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

Bankruptcy

No voluntary or involuntary bankruptcy, receivership or similar proceedings have been engaged against Focus, the Company or any of the Company's subsidiaries during the financial years ended December 31, 2020, December 31, 2019, April 30, 2019. No proceedings have been engaged against Focus, the Company or any of the Company's subsidiaries as of the date of this Annual Information Form.

Reorganizations

Other than as described below, no material reorganizations of the Company or any of its subsidiaries have taken place within the financial years ended December 31, 2020, December 31, 2019, April 30, 2019, or as of the date of this Annual Information Form, and there are no proposed reorganizations as of the date of this Annual Information Form.

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

Social or Environmental Policies

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

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

RISK FACTORS

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

General Business Risk and Liability

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

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

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

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

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

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

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

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

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

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

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

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 Activity**"). According to current Israeli regulatory medical cannabis framework, any engagement in Cannabis Activity requires receiving the applicable license from the IMCA, which requires, among other things, pre-approvals by the IMCA of the directors, officers and shareholders holding over 5% of the license applicant and applies limitations on future securityholdings. Therefore, any direct engagement of the Company in Cannabis Activity will require the aforementioned approvals by the IMCA and will apply, upon such approval and granting of a license, limitations on future securityholdings. 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 aforementioned approvals and restrictions of the IMCA may apply to the Company and its shareholders by virtue of a subsidiary or investee engaging in Cannabis Activity.

Ownership of Focus

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

Limited Operating History

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

Negative Cash Flow from Operations

During the year ended December 31, 2020, the Company had negative cash flows from operating activities. Although the Company expects to generate positive cash flows from its future operating activities, there is no assurance that it will achieve this objective. If operational cash flows continue to be negative, the Company may be required to fund future operations with alternative financing options such as offerings of shares.

Additional Financing

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

Compliance with Laws

The Company's and its investees' operations are subject to various laws, regulations and guidelines. The Company endeavours to and cause its investees to comply with all relevant laws, regulations and guidelines. However, there is a risk that the Company's and its investees' interpretation of laws, regulations and guidelines, including, but not limited to the Cannabis Act, the regulations thereunder and applicable stock exchange rules and regulations, may differ from each other, and the Company's and its investees' operations may not be in compliance with such laws, regulations and guidelines. In addition, achievement of the Company'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 Company or its investees may significantly delay or impact the development of the Company's business and operations and could have a material adverse effect on the business, results of operations and financial condition of Company. Any potential noncompliance could cause the business, financial condition and results of operations of Company 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 investees may cause adverse effects to Company's operations. The risks to the business of Company 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 Company's or the investees' products and could materially and adversely affect the business, financial condition and results of operations of the Company.

The Company and its investees incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws and regulations may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures or remedial actions. Parties may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws or regulations, may have a material adverse impact on the Company 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 Company.

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.

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 BfArM, relating to the manufacture, marketing, management, transportation, storage, sale, pricing and disposal of medical cannabis inflorescences and cannabis oil products. The Group's operations are also subject to laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment.

The Group's operations may also be impacted by any future government regulation of adult-use recreational cannabis. As of the date of this Annual Information Form, an Israeli government committee responsible for advancing cannabis market reform has expressed positive views towards the legalization of adult-use recreational cannabis in Israel and the Israeli Ministry of Justice is expected to formulate a bill to allow for this objective. However, in December 2020, the governing Israeli parliament dissolved and general elections were scheduled for March 2021, suspending all such legislative initiatives including the legalization process for adult-use recreational cannabis. There is no certainty that any initiatives will be revisited following the formation of a new government pursuant to the March 2021 elections.

Notwithstanding the foregoing, the Group is well positioned to take advantage of the increased market opportunities provided by the legalization of adult-use recreational cannabis in Israel if it occurs. Any delays or abandonment to the legalization of adult-use recreational cannabis or changes to the political environment which would negatively affect the legalization of adult-use recreational cannabis in Israel may hinder demand and/or growth of demand for medical cannabis products bearing the IMC brand and may have material adverse effects to the Group's business.

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

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

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

Changes in Laws, Regulations and Other Guidelines

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

Environmental and Employee Health and Safety Regulations

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

Reliance on License and Permit Renewals

Focus, Adjupharm and TJAC are dependent on the Focus License, Adjupharm Licenses and TJAC Licenses (together, the "**Key Licenses**"), respectively, and the need to maintain such Key Licenses in good standing. Failure to comply with the requirements or maintenance of any of the Key Licenses may have a material adverse effect on the business, financial condition and operating results of the Group. As of the date of this Annual Information Form, the Focus License is valid until January 3, 2022, the TJAC Licenses are valid until August 28, 2023, and the quantities for import under the Adjupharm Licenses are valid until May 8, 2021. Although management of Focus, Adjupharm and TJAC 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 the MOH, BfArM or Health Canada not extend or renew any of the Key Licenses, or should it renew any of the Key Licenses on different terms or not allow for anticipated capacity increases, the business, financial condition, results of the operations and prospects of the Group may subject to a material adverse effect.

Reliance on Other Business Licenses, Permits and Approvals

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

Reliance on Focus Facility

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

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

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

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

In December 2020, the municipal committee presiding over planning and construction in southern Israel (the "**Construction Committee**") advised Focus that it was the subject of certain allegations regarding inadequate permitting for construction relating to the Focus Facility (the "**Construction Allegations**"). Focus' shareholders and directors, including Oren Shuster and Rafael Gabay, received a summons and have testified before the Construction Committee. In January 2021, the MOH advised Focus that it had received a complaint of the same nature as the Construction Allegations (the "**MOH Allegations**"). Focus is fully cooperating with the ongoing investigations of both the Construction Committee and the MOH. As of the date of this Annual Information Form, no formal legal proceedings have been commenced against any of Focus, Mr. Shuster or Mr. Gabay. In the event that formal legal proceedings in respect of the Construction Allegations and/or the MOH Allegations are launched, potential consequences of any negative outcome may include, but are not limited to: (i) criminal charges against any or all of Focus or Focus' shareholders and directors, including Mr. Shuster and Mr. Gabay; (ii) monetary penalties or fines; (iii) temporary or permanent suspension of the Focus License; and (iv) other consequences that may limit, in part or as a whole, Focus' operations under the Focus License. A negative outcome to the Construction Allegations or the MOH Allegations may have a material adverse effect on the business, results of operations and financial conditions of the Group.

Reliance on the TJAC Leases

The TJAC Licenses are specific to the TJAC Facilities which are subject to 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 of the 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.

Product Security and Storage

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

Reliance on Key Suppliers

Focus and Adjupharm both rely on their respective supply agreements with cannabis cultivators and producers in order to meet the demands of their respective sales agreements with distribution partners and pharmacies. Consequently, the Group relies on the suppliers of such supply agreements to provide necessary cannabis products to Focus and Adjupharm. If any suppliers fail to supply any contracted materials to Focus or Adjupharm as a result of, among other things, disruptions related to major health issues or pandemics, or labor disputes, Focus or Adjupharm may fail to meet purchase commitments from their distribution partners. Any inability to secure required supplies and services or to do so on favourable terms could negatively impact the operations of Focus or Adjupharm. In addition, failures of suppliers to maintain required licenses, permits and approvals, including any import/export permits or comply with applicable laws, regulations and contractual specifications pertaining to the contracted cannabis products may also result in Focus' or Adjupharm's failure to meet purchase commitments. As the Group derives a significant portion of its revenue from the fulfilment of these purchase commitments, such supplier failures may lead to a material adverse effect on the business, results of operations and financial conditions of the Group.

Any product recalls, quality control issues with medical cannabis products supplied to Focus or Adjupharm, or inabilities of the Group to secure required supplies and services or to do so on adequate terms could also cause a material adverse effect on the Group's business, financial condition and results of operations.

Reliance on Key Distribution Partners

Focus and Adjupharm both rely heavily on their respective sales agreements with pharmacies and distribution partners in order to exchange payment for shipments of medical cannabis products pursuant to binding purchase commitments. Consequently, the Company relies on the distribution partners of such sales agreements to make payments as shipments of medical cannabis products are delivered. If any distribution partners fail to make delivery to pharmacies or payments to Focus or Adjupharm, the Company may experience a decline in the revenues it derives from Focus or Adjupharm. Such distribution partner failures may ultimately lead to a material adverse effect on the business, results of operations and financial conditions of the Group.

Reliance on Provincial Supply Agreements

TJAC relies heavily on its supply agreements for the sale of its products with certain provinces in Canada, with particular concentration in Ontario and British Columbia. A loss of one or a number of such supply agreements could materially impact TJAC's profit margins for the foreseeable future by requiring TJAC to sell at lower margins through alternative sales channels (such as business-to-business sales agreements with intermediary licensed producers), unless more suitable sales arrangements could be secured. A loss of one or more of TJAC's provincial supply agreements may ultimately lead to a material adverse effect on the business, results of operations and financial conditions of the Group.

Ability to Meet Target Production Capacity

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

Ability to Secure New Suppliers and Distribution Partners

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

Reliance on Key Business Inputs

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

Competition and Innovation to Achieve Strategic Objectives

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

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

Reliance on Third Party Transportation

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

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

Investment Business Strategy

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

Risks Inherent in Strategic Alliances

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

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

Risks Associated with Divestment

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

Evolving Market Competition

There is potential that the Group will face intense competition from other companies or groups of companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than the Group. Because of the early stage of the industry in which the Group operates, as well as evolving legislation and governmental initiatives in a number of jurisdictions, the Group expects to face additional competition from new entrants in the jurisdictions in which it currently operates or is contemplating operations. In particular, the Company expects an increase in market entrants in Germany following the German Local Tender. If the number of users of medical cannabis products in Israel and Europe increases, the demand for products in such areas will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products and pricing strategies.

As the recreational cannabis market matures in Canada, there is potential that the Company may face intense competition from other domestic and international cannabis brands, cultivators and distributors operating in Canada that are more established or may have access to greater financial resources. In addition, the Company may face intense competition in the Canadian cannabis financing market from financial service providers, including but not limited to banks, credit unions, and alternative lenders, some of which may have longer operating histories and greater financial resources than the Company. Investees may also face intense competition from other companies, some of which can be expected to have longer operating histories and greater financial resources, which may impact investees' ability to service loans issued by the Company. Increased competition by larger and better-financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

Industry Consolidation

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

Reliance on Key Personnel

The Company has relied upon the ability, judgment, discretion and good faith of its executive management team. The Company's future success depends on its continuing ability to attract, develop, motivate and retain highly qualified employees. If the Company were to lose any members of the executive management team or key employees, any inability to find suitable replacements at reasonable costs may have a material adverse effect on the Company's business, financial condition and results of operations.

Reliance on International Advisors and Consultants

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

Foreign Market Participation

The Company currently operates or anticipates operating in various international jurisdictions and is subject to inherent risks from the exposure to foreign markets including without limitation currency risk, restrictions on the use of offshore bank accounts for local operating companies; trade restrictions, additional regulatory requirements and restrictions, increased financing costs, litigation risk, high inflation risk, expropriation and nationalization, and political risk. The Company continues to monitor developments and policies in the foreign markets in which it operates or invests and assess the impact thereof to its operations; however, such developments cannot be accurately predicted. The realization of any of these risks may significantly impair the Company's local operations and have a material adverse effect on the Group's business, financial condition and results of operations.

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

Completion of MYM Transaction

There is no guarantee that the MYM Transaction, as described in "*General Development of the Business - Recent Developments - Developments Following the Financial Year Ended December 31, 2020*", will be completed in the currently proposed form, if at all, nor is there any guarantee that the Company will be able to continue developing operations in its current jurisdictions or expand into new jurisdictions. Any such activities will require, among other things, various regulatory, court, securityholder, stock exchange and other third-party approvals, licenses and permits and there is no guarantee that all required approvals, licenses and permits will be obtained in a timely fashion or at all.

Future Acquisitions or Dispositions

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

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

In addition, the Company's strategic transaction decisions are based on the economic assessments made by the Company and its external advisors. Such economic assessments involve a series of assumptions regarding factors such as future cannabis prices, production requirements, expected revenue growth, cash flow and financing requirements, future capital expenditures and operating costs. Many of these factors are subject to change and are beyond the control of the Company. If there is any significant negative change in any of these factors, the Company may experience a material adverse effect on its business, financial condition, operating results and prospects.

Management of Growth and Acquisition Integration

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

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

Foreign Expansion Efforts and Operations

The Company's expansion into foreign jurisdictions is subject to additional business risks, including new or unexpected risks or could significantly increase the Company's exposure to one or more existing risk factors, including economic instability, changes in laws and regulations, and the effects of competition, as well as operational, regulatory, compliance and reputational and foreign exchange rate risk. In addition, future international expansion could require the Group to incur a number of up-front expenses, including those associated with obtaining regulatory approvals, as well as additional ongoing expenses, including those associated with infrastructure, staff and regulatory compliance. The failure of the Company's operating infrastructure to support such expansions could result in operational failures and regulatory fines or sanctions. Additionally, there is no guarantee that the Company will be able to realize any of the anticipated benefits of any transactions related to the Company's expansion strategy.

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.

Conditions in Israel

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

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

Political Risk

As mentioned in "*Foreign Market Participation*" above, political risk is an additional risk that the Group may be exposed to when operating in a foreign market. Examples of political risk include without limitation social unrest, threats or occurrences of war, organized crime, political instability, changes of government and changes in taxation policies.

Some foreign markets are prone to higher levels of political risk. Emerging markets tend to have particularly sensitive political and social environments where governments may be capable of wide-sweeping executive actions that may materially impact the local cannabis market or other markets relevant to the Company. Such actions can include without limitation enactment of price controls, trade restrictions, taxes, land and property regulations, and environmental restrictions.

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

Inflation in Emerging Markets

In the past, high levels of inflation have adversely affected emerging economies and financial markets, and the ability of government to create conditions that stimulate or maintain economic growth. Moreover, governmental measures to curb inflation and speculation about possible future governmental measures have contributed to the negative economic impact of inflation and have created general economic uncertainty.

The emerging markets in which the Group operates or may operate may experience high levels of inflation in the future. Inflationary pressures may weaken investor confidence in such countries and lead to further government intervention in the economy. If countries in which the Group operates experience high levels of inflation in the future and/or price controls are imposed, the Company may not be able to adjust the rates the Group charges its customers to fully offset the impact of inflation on the Company's cost structures, which could cause a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Acquisition or Use of Properties in Foreign Jurisdictions

Non-resident individuals and non-domiciled foreign legal entities may be subject to restrictions on the acquisition or lease of properties in certain emerging markets. Limitations also apply to legal entities domiciled in such countries that are controlled by foreign investors, such as the entities through which the Group operates in certain countries. Accordingly, the Company's current and future operations may be impaired as a result of such restrictions on the acquisition or use of property, and the Group's ownership or access rights in respect of any property it owns or leases in such jurisdictions may be subject to legal challenges, all of which could result in a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Risks Inherent in the Agricultural Business

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

Illegal Market Competition

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

Restrictions on Sales and Marketing

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

The Group's success depends on its ability to attract and retain customers. The way 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.

Publicity and Consumer Perception

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

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

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

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

Perceived Effects of Products

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

Reputational Risk to Third Parties

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

Information Technology

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

Cybersecurity

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

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

Privacy

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

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

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

Wholesale Price Volatility

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

Risks Inherent in Investments

The Company is not directly involved in the ownership or operation of and may have limited contractual rights relating to the operations of its current and future investee entities. An investee generally has the power to determine the manner in which its business is developed, expanded and operated, and the Company's interest in an investee is subject to the risks applicable to the business carried on by the investee, and the Company may fail to realize all of the potential benefits from its investments. The interests of the Company and its investees may not always be aligned. As a result, any cash flows of the Company from investees will be dependent upon the activities of the investees, which creates the risk that at any time those investees may: (i) have business interests or targets that are inconsistent with those of the Company; (ii) take action contrary to the Company's policies or objectives; (iii) be unable or unwilling to fulfill their obligations under their agreements with the Company; (iv) experience financial, operational or other difficulties, including insolvency, which could limit or suspend an investee's ability to perform its obligations under agreements with the Company or (v) fail to comply with applicable laws or best practices.

Fraudulent or Illegal Activity

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

Corruption and Anti-Bribery Law Violations

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

Intellectual Property

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

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

In light of the above, the Group makes no assurances regarding any potential costs paid towards intellectual property fees or terms of licenses negotiated.

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

CSE and NASDAQ Continued Listing Requirements

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

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

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

Significant Sales of Listed Securities

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

Dilution

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

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

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

Holding Company Status

IMCC is a holding company. Substantially all of the Company's operating assets are the capital stock of its subsidiaries and arrangements with investees. Substantially all of the Company's business is conducted through subsidiaries or investees which are separate legal entities. Consequently, the Company's cash flows and ability to pursue future business and expansion opportunities are dependent on the earnings of its subsidiaries and investees and the distribution of those earnings to the Company. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Company's subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Company.

Dividends

The Company has not paid any dividends on the outstanding Common Shares, and the Company maintains no current intention to declare dividends on the Common Shares in the foreseeable future. Any decision to pay dividends on the Common Shares in the future will be at the discretion of the Board and will depend on, among other things, the Company's results of operations, current and anticipated cash requirements and surplus, financial condition, any future contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law and other factors that the Board may deem relevant. As a result, investors may not receive any return on an investment in the Common Shares unless they are able to sell their Common Shares for a price greater than that which such investors paid for them.

Securities Price Volatility

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

Internal Controls

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

Liquidity of Securities

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

Credit Risk

The Group may be owed current or long-term debts such as accounts receivables over the course of its operations. As a result, the Group may be exposed to the risk of debtor defaults on payments as they come due. This credit risk can be mitigated by the Group through a number of options including, without limitation, taking collateral, obtaining guarantees, and negotiating credit agreements. The Company makes no guarantee on the level of credit risk that it will hold at any given time but intends to minimize this risk as determined by the Board.

The Company is exposed to counterparty risks including, but not limited to: (i) through the investees which may experience financial, operational or other difficulties, including insolvency, which could limit or suspend those investees' ability to perform their obligations under agreements with the Company or result in the impairment or inability to recover the Company's equity investment in an investee; (ii) through financial institutions that may hold the Company's cash and cash equivalents; (iii) through companies that have payables to the Company; (iv) through Company's insurance providers; and (v) through the Company's lenders, if any.

Liquidity Risk

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

Market Risk

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

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

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

Global Economy Risk

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

Further, global credit and financial markets have displayed arguably increased volatility in response to global events. For instance, since November 30, 2019, the COVID-19 pandemic resulted in governments worldwide enacting emergency measures to combat the spread of COVID-19. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 pandemic are unknown at this time, as is the efficacy of government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the Group's business, financial condition, results of operations and prospects.

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

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

Sufficiency of Insurance

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

Uninsured or Uninsurable Risks

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

Potential Product Liability

The Company derives a significant portion of its revenues from Focus and Adjupharm and it expects to receive a significant portion of its revenue from TJAC commencing on March 18, 2021. Focus, Adjupharm and TJAC are producers and/or distributors of products designed to be ingested or inhaled by humans. Such products face an inherent risk of exposure to product liability claims, regulatory action and litigation if such products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of such products involve the risk of injury or loss to consumers 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 cannabis products alone or in combination with other medications or substances could occur.

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

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

Current and Potential General Litigation

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

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

Quality Control Systems

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

Potential Product Recalls

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

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

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

Difficulty in Forecasts

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

Catastrophic Events, Natural Disasters, Severe Weather and Disease

The Group's business may be negatively impacted by a number of events that are beyond its control, including cyber-attacks, energy blackouts, pandemics, terrorist attacks, acts of war, earthquakes, hurricanes, tornados, fires, floods, ice storms or other catastrophic events. Further, the Group relies on certain suppliers and distribution partners whose businesses may be impacted by the occurrence of any of the foregoing events. Catastrophic events can evolve rapidly and their impacts can be difficult to predict. There can be no assurance that the occurrence of a catastrophic event or the associated consequences will not disrupt the Group's operations, ability to carry on business or supply and distribution chains. A catastrophic event, including an outbreak of infectious disease, a pandemic or a similar health threat, such as the COVID-19 pandemic, or fear of any of the foregoing, could adversely impact the Group and its ability to maintain normal operations. In addition, liquidity and volatility, credit availability, market and financial conditions and cannabis cultivation, supply and distribution conditions, among other critical factors to the Group's business, could change at any time as a result. These events and any associated consequences may cause a material adverse effect on the business, financial condition and results of operations of the Group.

Anti-Money Laundering Laws and Regulation Risks

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

Security over Underlying Assets

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

In Canada, there is a gap in the regulatory scheme as it applies to the ability of lenders to secure collateral, including regulated assets and regulatory licences themselves. In the event of a default, it is currently unclear how or if a lender would be able to realize on its security because it is unclear whether security can be taken in the relevant cannabis licences themselves, whether cannabis licences may be transferred in such circumstances, and whether a lender could take possession of regulated collateral. Canadian cannabis regulations are silent on these topics, and accordingly there can be no assurance that a lender in the cannabis industry will be in a position to enforce security in regulated assets or regulatory licences. The Company continues to monitor market practice and legal developments in this area. The Company seeks to mitigate risks on its loan portfolio through a variety of methods other than security, and with respect to the taking and enforcement of security, intends to work closely with legal counsel and regulators and participate in creating sensible market practice; however, there can be no assurance as to when or if these matters will be clarified and a sensible market practice develop.

In other jurisdictions, security interests may be subject to enforcement and insolvency laws that differ significantly from those in Canada, and while the Company takes steps to understand the enforcement of security interests and the insolvency regimes of each jurisdiction in which it chooses to invest, the Group's security interests may not be enforceable and the application of such insolvency regimes as they apply to the Group's investments may remain unclear. Further, there can be no assurance that any judgments obtained in Canadian courts will be enforceable in any of those jurisdictions. If the Group is unable to enforce its security interests, there may be a material adverse effect on the Group.

COVID-19

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

The Group has taken proactive measures throughout the COVID-19 pandemic to protect the health and safety of its employees, to continue delivering high quality cannabis products to patients and to maintain its balance sheet.

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

Focus' Essential Service Designation

In response to the COVID-19 pandemic, the State of Israel has implemented, from time to time, mandatory shut-downs of non-essential businesses to prevent the spread of COVID-19. As of the date of this Annual Information Form, Focus has been deemed an "essential service", permitting it to continue production. Further public health measures or restrictions may require Focus to shut down or limit its operations in the State of Israel. Any disruptions to the business and operations of Focus in the event that Focus were to lose its designation as an "essential service" in the State of Israel may cause a material adverse effect on the business, financial condition and results of operations of the Group.

Conflicts of Interest

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

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

Foreign Private Issuer Status 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.

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

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

Emerging Growth Company Status under U.S. Securities Laws

The Company is an "emerging growth company" as defined in section 3(a) of the Exchange Act (as amended by the JOBS Act, enacted on April 5, 2012), and the Company will continue to qualify as an emerging growth company until the earliest to occur of: (a) the last day of the fiscal year during which the Company has total annual gross revenues of US$1,070,000,000 (as such amount is indexed for inflation every five years by the SEC) or more; (b) the last day of the fiscal year of the Company following the fifth anniversary of the date of the first sale of common equity securities of the Company pursuant to an effective registration statement under the Securities Act, 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.

DIVIDENDS

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

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

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

There are currently 50,500,985 Common Shares issued and outstanding as of the date of this Annual Information Form.

Warrants

In connection with the Reverse Takeover Transaction, a total of 9,730,258 Warrants were issued in exchange for the previously outstanding common share purchase warrants in the capital of a wholly-owned subsidiary of the Company. Prior to the Consolidation, each of these Warrants was exercisable by the holder thereof to acquire one Common Share at a price of $1.30 per Common Share until October 11, 2021.

As at the date of this Annual Information Form, the Company has 9,344,596 Warrants outstanding, including:

- 9,277,134 Warrants listed for trading on the CSE under the ticker "IMCC.WT" expiring October 11, 2021 (the "**Listed Warrants**"), whereby, following the Consolidation, four Listed Warrants are required to be exercised to purchase one Common Share at an adjusted exercise price of $5.20; and
- 67,462 unlisted Warrants expiring August 30, 2022 (the "**Unlisted Warrants**"), whereby, following the Consolidation, four Unlisted Warrants are required to be exercised to purchase one Common Share at an adjusted exercise price of $5.20, with such Unlisted Warrants issued as a result of exercises of Broker Options and not listed for trading on any exchanges;

Broker Options

In connection with the Reverse Takeover Transaction, a total of 1,199,326 Broker Options, expiring on August 30, 2022, were issued in exchange for the previously outstanding broker compensation options in the capital of a wholly-owned subsidiary of the Company. Following the Consolidation, four Broker Options are required to be exercised to purchase one unit at an adjusted exercise price of $4.20, with each unit exercisable into one Common Share and one-half of one Warrant, with each whole Warrant expiring on August 30, 2022 and exercisable to purchase one Common Share at an exercise price of $5.20.

As of the date of this Annual Information Form, the Company has 674,414 Broker Options issued and outstanding.

Options

The Company has a stock option plan, as amended and restated on December 16, 2020 (the "**Stock Option Plan**") whereby a rolling maximum of 10% of the issued and outstanding Common Shares (less the number of Common Shares issuable pursuant to all other security based compensation arrangements such as the RSU Plan, as defined below under "*Restricted Share Units*") may be reserved for issuance pursuant to the exercise of Options (the "**Option Cap**"). The term of the Options granted are fixed by the Board, and are not to exceed 10 years. The exercise prices of the Options are determined by the Board, but shall not be less than the greater of the closing market price of the Common Shares on (a) the trading day prior to the date of grant of the Options; and (b) the date of grant of the Options.

The Options will vest as determined by the Board at the time of grant, except in a case relating to compensation for performing investor relations activities, in which case the Stock Option Plan requires the Options to vest in stages over 12 months with no more than one quarter of such Options vesting in any three month period. The maximum number of Common Shares reserved for issuance, pursuant to the Stock Option Plan and any other security based compensation arrangement of the Company, to (i) any one individual, in any 12 month period, is 5% of the total number of Common Shares then outstanding, unless approved by the disinterested shareholders; (ii) insiders (as a group), within a 12 month period, is 10% of the total number of Common Shares then outstanding, unless the Stock Option Plan approved by the disinterested shareholders; (iii) all investor relations persons, in a 12 month period, is 1% of the total number of Common Shares then outstanding; or (iv) any one consultant, in any 12 month period, is 2% of the total number of Common Shares then outstanding.

The Stock Option Plan was last approved by shareholders on December 16, 2020 and contains provisions for adjustment in the number of shares issuable thereunder in the event of a subdivision, consolidation, reclassification or change in the Common Shares, a merger or other relevant changes in the Company's capitalization. The Board may from time to time amend or reverse the terms of the Stock Option Plan or may terminate the Stock Option Plan at any time.

As at the date of this Annual Information Form, the Company had 3,582,389 Options outstanding with the material terms listed below.

Stock Option Grants			
Date of Grant	**Number of Options**	**Exercise Price**	**Expiry Date**
October 11, 2019	792,475	$1.60	January 4, 2029
October 11, 2019	1,030,000	$1.60	September 11, 2029
October 11, 2019	50,000	$1.60	February 3, 2029
October 11, 2019	62,500	$1.60	April 7, 2029
October 11, 2019	2,500	$1.60	May 13, 2029
October 11, 2019	69,164	$1.60	August 11, 2029
October 11, 2019	37,500	$1.60	July 30, 2029
October 11, 2019	4,000	$4.20	October 9, 2022
June 9, 2020	590,000	$4.00	June 9, 2025
July 17, 2020	13,750	$5.80	July 17, 2025
October 23, 2020	28,750	$7.12	October 23, 2025
December 15, 2020	16,250	$8.56	December 15, 2025
February 8, 2021	5,500	$10.00	February 8, 2026
February 28, 2021	180,000	$10.00	February 28, 2026
March 18, 2021	700,000	$10.02	March 18, 2026
Total	**3,582,389**		

Restricted Share Units

On December 16, 2020, the Company's shareholders approved a restricted share unit plan (**RSU Plan**") whereby the Company may issue restricted share units (each an "**RSU**") subject to a rolling maximum of 10% of the issued and outstanding Common Shares (less the number of Common Shares issuable pursuant to all other security based compensation arrangements such as the Stock Option Plan) that may be reserved for issuance pursuant to the exercise the RSUs. The RSU Plan supplements the Stock Option Plan by providing the Board with an alternative to issuing Options if, in the future, it determines that a full value share plan provides an attractive form of long-term incentive for key personnel provided that the aggregate Common Share issuances under the Stock Option Plan and RSU Plan combined does not exceed 10% of the Common Shares issued and outstanding (on a rolling basis).

The purpose of the RSU Plan is to provide a financial incentive for eligible employees, directors and consultants of the Company or an affiliate of the company to devote their best efforts to the long-term success of the Company's business, by aligning such participants' financial interests with those of the Company, to assist the Company in attracting and retaining individuals with top-level talent, passion and ability and to ensure that the total compensation provided to such eligible participants is at competitive levels.

RSUs will vest in such manner as determined by the Board or compensation committee of the Board at the time of grant. The maximum number of Common Shares reserved for issuance, pursuant to the RSU Plan and any other security based compensation arrangement of the Company, to (i) any one person, in a 12 month period, is 5% of the total number of Common Shares then outstanding, unless permitted by the CSE or approved by disinterested shareholders; (ii) insiders (as a group), at any time, is 10% of the total number of Common Shares then outstanding, unless permitted by the CSE or approved by disinterested shareholders; (iii) all investor relations persons, in a 12 month period, is 1% of the total number of Common Shares then outstanding; or (iv) any one consultant, in a 12 month period, is 1% of the total number of Common Shares then outstanding.

As of the date of this Annual Information Form, the Company has not issued any RSUs.

MARKET FOR SECURITIES

Trading Price and Volume

Common Shares

The Common Shares have been listed for trading under the symbol "IMCC" on the CSE since November 5, 2019, following the completion of the Reverse Takeover Transaction, and on the NASDAQ since March 1, 2021. The chart below sets out the monthly trading history of the Common Shares on the CSE for the financial year ended December 31, 2020.

Common Share Historic Trading Prices and Volumes			
Month	**High (CAD)**	**Low (CAD)**	**Volume**
December	3.50	2.00	2,023,546
November	2.30	1.55	3,057,100
October	1.84	1.20	3,407,549
September	1.59	1.05	1,247,607
August	1.69	1.25	4,078,659
July	1.75	1.16	5,166,395
June	1.34	0.65	6,013,936
May	0.82	0.51	9,189,313
April	0.65	0.20	6,123,027
March	0.35	0.175	159,774
February	0.475	0.30	127,419
January	0.51	0.34	3,035,358

Notes:
(1) All trading prices and volumes in this table are provided on a pre-Consolidation basis.

Warrants

The Warrants are listed for trading on the CSE under the symbol "IMCC.WT" until their expiry date of October 11, 2021. The below trading information chart sets out the monthly trading history of the Warrants on the CSE for the financial year ended December 31, 2020.

Warrants Historic Trading Prices and Volumes			
Month	**High (CAD)**	**Low (CAD)**	**Share Volume**
December	1.78	1.00	291,819
November	1.19	0.47	100,740
October	0.72	0.23	501,949
September	0.60	0.25	142,119
August	0.60	0.50	23,100
July	0.55	0.20	176,000
June	0.35	0.06	185,332
May	0.095	0.04	288,500
April	0.05	0.005	666,500
March	-	-	0
February	-	-	0
January	-	-	0

Notes:
(1) No Warrants listed on the CSE were traded in January through March 2020

Prior Sales

The table below summarizes details of securities of the Company that were not listed or quoted on a marketplace and issued by the Company during the financial year ended December 31, 2020. For a list of all outstanding options granted as of the date of this Annual Information Form, please see "*Description of Capital Structure - Options*" above.

Prior Sales of Unlisted or Unquoted Securities			
Date of Issuance	**Security**	**Issuance/Exercise Price Per Security (CAD)[1]**	**Number of Securities[1]**
April 30, 2020	Unlisted Warrants[2]	0.50	86,550
May 7, 2020	Unlisted Warrants[2]	0.50	171,625
June 3, 2020	Unlisted Warrants[2]	0.50	211,095
June 5, 2020	Unlisted Warrants[2]	0.50	21,875
June 5, 2020	Unlisted Warrants[2]	0.50	31,370
June 9, 2020	Options[4]	1.00	2,965,000
June 26, 2020	Unlisted Warrants[2]	0.50	70,745
July 17, 2020	Options[5]	1.45	105,000
July 28, 2020	Unlisted Warrants[2]	1.30	129,815
October 23, 2020	Options[6]	1.78	130,000
November 5, 2020	Unlisted Warrants[2]	1.30	19,362
December 3, 2020	Unlisted Warrants[2]	1.30	14,462
December 15, 2020	Options[7]	2.14	70,000

Notes:

(1) Figures are reported on a pre-Consolidation basis.

(2) During the financial year ended December 31, 2020, the Company issued an aggregate of 756,899 Unlisted Warrants pursuant to exercises of Broker Options. As of the date of this Annual Information Form, all Unlisted Warrants issued during the financial year ended December 31, 2020 have either expired or been exercised.

(3) Following the Consolidation, all Options outstanding issued prior to February 12, 2021 were consolidated on the basis of four (4) pre-Consolidation Options to one (1) post-Consolidation Option (a "**Post-Consolidation Option**"), with respective exercise prices adjusted upwards by a factor of four (4). Each Post-Consolidation Option is exercisable for one Common Share at the adjusted exercise price.

(4) Each Option is exercisable at the exercise price for one Common Share and expires on June 9, 2025. As of the date of this Annual Information Form, 590,000 of these Options, on a post-Consolidation basis, remain outstanding.

(5) Each Option is exercisable at the exercise price for one Common Share and expires on July 17, 2025. As of the date of this Annual Information Form, 13,750 of these Options on a post-Consolidation basis, remain outstanding.

(6) Each Option is exercisable at the exercise price for one Common Share and expires on October 23, 2025. As of the date of this Annual Information Form, 28,750 of these Options on a post-Consolidation basis, remain outstanding.

(7) Each Option is exercisable at the exercise price for one Common Share and expires on December 15, 2025. As of the date of this Annual Information Form, 16,250 of these Options, on a post-Consolidation basis, remain outstanding.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

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

DIRECTORS AND EXECUTIVE OFFICERS

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

Director and Executive Officer Information			
Name and Residence	**Office with Company**	**Principal Occupation and Positions Held During the Last 5 Years**	**Number and Percentage of Common Shares Owned, Beneficially Held or Controlled[1][2][3]**
Oren Shuster[6] *Ra'anana, Israel*	Chief Executive Officer and Director since October 2019	CEO of IMC Holdings since 2008; Co-CEO of Ewave Group Ltd. since 1999.	9,135,137[7] (18.09%)
Shai Shemesh *Petach-Tikva, Israel*	Chief Financial Officer since October 2019	CFO of IMC Holdings since 2019; CFO of Sadyt Israel and IVM Minrav-Sadyt from 2011 to 2019.	11,905 (<1%)
Yael Harrosh *Tel Aviv, Israel*	General Counsel and Corporate Secretary since October 2019	General Counsel, Corporate Secretary and Business and Compliance Manager of IMC Holdings since 2018; Legal Counsel and Deputy CEO at ProMarket Group from 2016 to 2018; Advocate at AYR Law Firm, Israel from 2015 to 2016.	Nil
Haleli Barath[4][5] *Tel Aviv, Israel*	Director since February 2021	Partner of Bfp & Co. since 2009.	166,682 (<1%)
Vivian Bercovici[4][5][6] *Tel Aviv, Israel*	Director since March 2020	Independent consultant and columnist, Managing Director, Europe and Israel at Nuuvera Inc. from 2017 to 2018; Canadian Ambassador to Israel from 2014 to 2016.	Nil
Brian Schinderle[4][5] *Illinois, USA*	Director since February 2021	Founder and Manager of Solidum Capital since 2017; EVP-Finance of GHG Management, DBA Grassroots Cannabis from 2018 to 2020; Portfolio Manager of Balyasny Asset Management from 2009 to 2017.	Nil
Marc Lustig[6] *West Vancouver, British Columbia*	Director since October 2019, Executive Chairman since December 2020 and Chairman from October 2019 to December 2020	Director of Pharmacielo Ltd. since November 2020; Director of Cresco Labs Inc. since June 2020; Director of Trichome Financial Corp. since October 2019; Founder, Chairman and Chief Executive Officer of CannaRoyalty Corp. (dba Origin House) from 2016 to 2020.	761,839 (1.51%)

Notes:

(1) Assumes 50,500,985 Common Shares issued and outstanding.

(2) Does not include the 6,174,418 Common Shares issuable on the full exercise of 3,582,389 outstanding Options, 9,344,596 outstanding Warrants and 674,414 outstanding Broker Options, including the 84,302 Common Shares issuable upon exercise of the underlying Warrants issued upon exercise of such Broker Options.

(3) As of the date hereof, all directors and executive officers noted above of the Company, as a group, beneficially own, directly or indirectly, or exercise control or direction over 10,075,563 Common Shares of the Company, representing 19.95% of the Company's outstanding Common Shares.

(4) Member of the Audit Committee.

(5) Member of the Compensation Committee.

(6) Member of the Governance and Nomination Committee.

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

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

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

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

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

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

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

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

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

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

Conflicts of Interest

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

PROMOTERS

Oren Shuster, CEO and director of the Company and Rafael Gabay, a consultant and former director of the Company, may be considered to be promoters because they founded and organized the business of IMC Holdings prior to the Reverse Takeover Transaction. Mr. Shuster is a resident of Ra'anana, Israel and controls 9,135,137 Common Shares, representing 18.09% of the issued and outstanding Common Shares on a non-diluted basis. Mr. Gabay is a resident of Ganot, Israel and controls 8,090,720 Common Shares, representing 16.02% of the issued and outstanding Common Shares on a non-diluted basis. 9,133,602 Common Shares and 8,089,185 Common Shares are held directly by Oren Shuster and Rafael Gabay, respectively, and 1,535 Common Shares are owned by Ewave Group Ltd., an entity which is jointly owned and controlled by Messrs. Shuster and Gabay.

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

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

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

Class Action T.Z. 35676-08-19

On August 19, 2019, a motion was filed for approval of a class action (the "**Motion**") against 17 companies (the "**Parties**") operating in the field of medical cannabis in Israel, including Focus. The applicant's argument is that the Parties did not accurately mark the concentration of active ingredients in their products. The personal suit sum for each class member stands at NIS 15,585 and the total amount of the class action suit is estimated at NIS 685,740,000. On June 2, 2020, the Parties submitted their response to the Motion. The Parties argue in their response that the threshold conditions for approval of a class action were not met, since there is no reasonable possibility that the causes of action in the Motion will be decided in favor of the class group. On July 3, 2020 the applicant submitted his response to the Parties' response. On July 5, 2020 the applicant was absent from the hearing. As a result, on July 23, 2020 the Parties filed an application for a ruling of expenses which received a response from the applicant on August 12, 2020, asking to decline this request. On September 29, 2020 the court ruled that the applicant would pay the Parties' expenses amount of NIS 750. Prehearing is set for July 14, 2021.

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

Supreme Court of Justice 2335/19

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

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

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

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

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

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

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

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

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

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

As of the date of this Annual Information Form, based on Focus' legal counsel opinion, the Company's management believes that the chances of the petition are less than 50%.

Regulatory Actions

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

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described below and otherwise disclosed in this Annual Information Form, to the Company's knowledge, no director or executive officer of the Company or any person or company that is the direct or indirect beneficial owners of, or who exercises control or direction over, more than 10% of any class of the Company's outstanding voting securities, or an associate or affiliate of any persons or companies referred to in this paragraph, has any material interest, direct or indirect, in any transaction within the financial years ended December 31, 2020, December 31, 2019, April 30, 2019 or as of the date of this Annual Information Form, or in any proposed transaction, that has materially affected or will materially affect the Company.

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

TRANSFER AGENTS AND REGISTRARS

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

MATERIAL CONTRACTS

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

- the IP Agreement dated April 2, 2019, between IMC Holdings and Focus, as further described in "*Corporate Structure - Intercorporate Relationships*";
- the Services Agreement dated April 2, 2019, between IMC Holdings and Focus, as further described in "*Corporate Structure - Intercorporate Relationships*";
- the Focus Agreement dated April 2, 2019, between IMC Holdings, Oren Shuster and Rafael Gabay, as further described in "*Corporate Structure - Intercorporate Relationships*";
- the warrant indenture dated August 30, 2019 between the Company and Computershare Trust Company of Canada (the "**Warrant Indenture**") entered into in connection with the issuance of Warrants in connection with the Reverse Takeover Transaction;
- the supplemental warrant indenture dated November 14, 2019 between the Company and Computershare Trust Company of Canada amending the Warrant Indenture entered into in connection with the re-issuance of Warrants and the Reverse Takeover Transaction;
- the arrangement agreement dated December 30, 2020, as subsequently amended on January 22, 2021 and March 14, 2021, between the Company and Trichome entered into in connection with the Trichome Transaction; and
- the arrangement agreement dated March 31, 2021 between the Company, Trichome and MYM entered into in connection with the MYM Transaction.

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

INTERESTS OF EXPERTS

Names of Experts

The following are the persons or companies who were named as having prepared or certified a statement, report, opinion or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 *Continuous Disclosure Obligations* by the Company during, or relating to, the financial year ended December 31, 2020, and whose profession or business gives authority to the statement, report, valuation, or opinion made by the person or company:

The annual consolidated financial statements as of December 31, 2020, audited by Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, an independent registered public accounting firm, have been included in reliance on their report given on their authority as experts in accounting and auditing.

Interests of Experts

Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, have confirmed that they are independent with respect to the Company within the meaning of the*U.S. Securities Act of 1933*(the "**Securities Act**") and the applicable rules and regulations thereunder adopted by the SEC and the Public Company Accounting Oversight Board (United States).

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

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

Composition of Audit Committee

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

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

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

Relevant Experience and Education

Brian Schinderle

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

Haleli Barath

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

Vivian Bercovici

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

Audit Committee Oversight

At no time since the commencement of the financial year ended December 31, 2020 was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Reliance on Certain Exemptions

At no time since the commencement of the financial year ended December 31, 2020 has the Company relied on the exemption in:

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

(b) Subsection 6.1.1(4) of NI 52-110 (Circumstances Affecting the Business or Operations of the Venture Issuer);

(c) Subsection 6.1.1(5) of NI 52-110 (Events Outside Control of Member);

(d) Subsection 6.1.1(6) of NI 52-110 (Death, Incapacity or Resignation); or

(e) an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

The Company is relying on the exemption provided in Section 6.1 of NI 52-110 as the Company was a "venture issuer" as at December 31, 2020. As a result, the Company is exempt from the requirements of Part 3 (Composition of Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

Pre-Approval Policies and Procedures

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

External Auditor Service Fees (by Category)

Audit Fees

Jackson and Company, Chartered Accountants served as the Company's external auditors between February 1, 2017 and January 21, 2019. Dale Matheson Carr-Hilton Labonte LLP served as the Company's external auditors between January 21, 2019 and January 16, 2020 and was immediately succeeded by Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global. The following table lists the aggregate fees paid or payable to all external auditors, by category, for the financial years ended December 31, 2020 and December 31, 2019:

	December 31, 2020(1)	**December 31, 2019**(1)
Audit fees(2)	$239,308	$120,168
Audit-related fees(3)	-	-
Tax fees(4)	$4,074	-
All other fees(5)	-	-
Total fees	$243,382	$120,168

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

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR atwww.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans are contained in the Company's information circular for its most recent annual meeting of shareholders held on March 16, 2020. Additional information is also provided in the Company's financial statements and MD&A for the financial year ended December 31, 2020.

SCHEDULE "A"

IM CANNABIS CORP.

AUDIT COMMITTEE CHARTER

PURPOSE OF THE COMMITTEE

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

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

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

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

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

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

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

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

The independent auditor shall report directly to the Committee.

COMMITTEE RESPONSIBILITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

    - receipt, retention and treatment of complaints regarding accounting, financial disclosure, internal controls or auditing matters; and
    - confidential, anonymous submission by employees regarding questionable accounting, auditing and financial reporting and disclosure matters.

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

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

DIRECTORS MAY REQUEST MEETING

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

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

COMMITTEE STRUCTURE AND AUTHORITY

(a) **Composition**

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

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

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

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

(iii) expertise preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities;

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

(v) an understanding of audit committee functions.

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

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

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

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

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

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

(c) **Quorum**

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

(d) **Review of Charter**

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

(e) **Delegation**

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

(f) **Reporting to the Board**

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

(g) **Chair**

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

(h) **Absence of Chair**

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

(i) **Calling of Meetings**

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

(j) **Notice of Meetings**

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

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

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

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

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

(m) **Outside Experts and Advisors**

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

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

2020 ANNUAL REPORT

IM CANNABIS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020

CANADIAN DOLLARS IN THOUSANDS

INDEX

- - - - - - - - - - -

Kost Forer Gabbay & Kasierer
144 Menachem Begin Road, Building A,
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

to the Shareholders and Board of directors of

IM CANNABIS CORP.

Opinion on the consolidated financial statements

We have audited the accompanying consolidated statements of financial position of IM Cannabis Corp. (the "Company"), as of December 31, 2020 and 2019 and the related consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the two years then ended and the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019 and the results of its operations and its cash flows for the two years then ended, in conformity with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB").

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

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

"KOST FORER GABBAY & KASIERER"

Tel-Aviv, Israel
April 23, 2021

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian Dollars in thousands

	Note	December 31, 2020	December 31, 2019
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		$ 8,885	$ 13,926
Restricted bank deposit		18	-
Trade receivables	7	5,501	1,810
Advances to suppliers	1b	3,602	2,565
Other accounts receivable	8	689	516
Biological assets	9	78	52
Inventories	10	8,370	5,422
		27,143	24,291
NON-CURRENT ASSETS:			
Property, plant and equipment, net	1 1	5,532	3,392
Investments	15c	2,341	912
Right-of-use assets, net	12	935	1,023
Deferred tax assets	17	769	89
Intangible assets, net	6, 11	1,092	889
Goodwill	6, 11	304	298
		10,973	6,603
Total assets		$ 38,116	$ 30,894

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian Dollars in thousands

	Note	December 31, 2020	December 31, 2019
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables		$ 2,605	$ 992
Other accounts payable and accrued expenses	14	3,497	1,458
Current maturities of lease liabilities	12	167	159
		6,269	2,609
NON-CURRENT LIABILITIES:			
Warrants measured at fair value	15	16,540	197
Lease liabilities	12	823	891
Employee benefit liabilities, net	13	371	262
Deferred tax liability	17	1,503	826
		19,237	2,176
Total liabilities		25,506	4,785
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:	18		
Share capital and premium		37,040	25,947
Translation reserve		1,229	309
Reserve from share-based payment transactions		5,829	2,677
Retained earnings (accumulated deficit)		(33,001)	(4,273)
Total equity attributable to shareholders of the Company		11,097	24,660
Non-controlling interests		1,513	1,449
Total equity		12,610	26,109
Total equity and liabilities		$ 38,116	$ 30,894

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

April 23, 2021	*"Marc Lustig"*	*"Oren Shuster"*	*"Shai Shemesh"*
Date of approval of the financial statements	Marc Lustig Chairman of the Board	Oren Shuster Chief Executive Officer	Shai Shemesh Chief Financial Officer

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

Canadian Dollars in thousands

	Note	Year ended December 31 , 2020	2019
Revenues		$ 15,890	$ 9,074
Cost of revenues		7,081	4,761
Gross profit before fair value adjustments		8,809	4,313
Fair value adjustments:			
Unrealized change in fair value of biological assets		11,781	5,990
Realized fair value adjustments on inventory sold in the period		(10,122)	(6,374)
Total fair value adjustments		1,659	(384)
Gross profit after fair value adjustments		10,468	3,929
General and administrative expenses		11,413	6,422
Selling and marketing expenses		3,782	1,240
Research and development expenses		136	233
Listing cost of reverse acquisition	5	-	3,632
Share-based compensation	18	3,382	2,677
Total operating expenses		18,713	14,204
Operating loss		(8,245)	(10,275)
Finance income	15a,b	277	3,653
Finance expenses		(20,504)	(707)
Finance income (expense), net		(20,227)	2,946
Loss before income taxes		(28,472)	(7,329)
Income tax expense, net	17	262	90
Net Loss		(28,734)	(7,419)
Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:			
Re-measurement loss on defined benefit plans		(30)	(29)
Exchange differences on translation to presentation currency		1,146	333
Total other comprehensive income that will not be reclassified to profit or loss in subsequent periods		1,116	304
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:			
Adjustments arising from translating financial statements of foreign operation		(124)	(14)
Total other comprehensive income that will be reclassified to profit or loss in subsequent periods		(124)	(14)
Total other comprehensive income		992	290
Total comprehensive loss		$ (27,742)	$ (7,129)

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

Canadian Dollars in thousands, except per share data

	Note	Year ended December 31 , 2020	2019
Net income (loss) attributable to:			
Equity holders of the Company		(28,698)	(7,292)
Non-controlling interests		(36)	(127)
		$ (28,734)	$ (7,419)
Total comprehensive income (loss) attributable to:			
Equity holders of the Company		(27,806)	(7,047)
Non-controlling interests		64	(82)
		$ (27,742)	$ (7,129)
Net earnings (loss) per share attributable to equity holders of the Company	20		
Basic and diluted		$ (0.74)	$ (0.23)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Canadian Dollars in thousands

	Share Capital and premium	Reserve from share-based payment transactions	Translation reserve	Retained earnings (deficit)	Total	Non-controlling interests	Total equity
Balance as of January 1, 2019	$ 7,099	$ -	$ 43	$ 3,040	$ 10,182	$ 1,429	$ 11,611
Net loss	-	-	-	(7,292)	(7,292)	(127)	(7,419)
Other comprehensive income (loss)	-	-	266	(21)	245	45	290
Total comprehensive income (loss)	-	-	266	(7,313)	(7,047)	(82)	(7,129)
Issuance of share capital, net of issuance cost of $2,913	15,665	-	-	-	15,665	-	15,665
Issuance of share capital on the reverse acquisition date	3,183	-	-	-	3,183	-	3,183
Share based compensation	-	2,677	-	-	2,677	-	2,677
Share based compensation of subsidiary	-	-	-	-	-	102	102
Balance as of December 31, 2019	25,947	2,677	309	(4,273)	24,660	1,449	26,109
Exercise of warrants and compensation options	10,251	-	-	-	10,251	-	10,251
Exercise of options	834	(222)	-	-	612	-	612
Share-based compensation	-	3,382	-	-	3,382	-	3,382
Expired options	8	(8)	-	-	-	-	-
Net loss	-	-	-	(28,698)	(28,698)	(36)	(28,734)
Other comprehensive income (loss)	-	-	920	(30)	890	100	990
Total comprehensive income (loss)	-	-	920	(28,728)	(27,808)	64	(27,744)
Balance as of December 31, 2020	$ 37,040	$ 5,829	$ 1,229	$ (33,001)	$ 11,097	$ 1,513	$ 12,610

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Canadian Dollars in thousands

	Year ended December 31 ,	
	2020	**2019**
Cash provided from operating activities:		
Net loss for the year	$ (28,734)	$ (7,419)
Adjustments for non-cash items:		
Unrealized gain on changes in fair value of biological assets	(11,781)	(5,990)
Fair value adjustment on sale of inventory	10,122	6,374
Fair value adjustment on warrants measured at fair value	20,155	(3,653)
Depreciation of property, plant and equipment	690	340
Amortization of intangible assets	31	125
Depreciation of right-of-use assets	209	136
Listing cost of reverse acquisition	-	3,632
Finance income, net	72	707
Changes in employee benefit liabilities, net	59	46
Deferred tax expense (benefit), net	(66)	(95)
Share-based payments expenses	3,382	2,779
	22,873	4,401
Changes in non-cash working capital:		
Increase in trade receivables, net	(3,534)	(1,631)
Increase in other accounts receivable and advances to suppliers	(1,029)	(2,556)
Decrease in biological assets, net of fair value adjustments	11,771	5,994
Increase in inventories, net of fair value adjustments	(12,729)	(5,872)
Increase in trade payables	2,135	795
Increase in other accounts payable and accrued expenses	1,929	628
	(1,457)	(2,642)
Taxes paid	(601)	(299)
Net cash used in operating activities	(7,919)	(5,959)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(2,617)	(1,547)
Purchase of intangible assets	(93)	-
Acquisition of subsidiary (a)	-	(1,316)
Investments	(1,347)	(912)
Change in restricted bank deposits	(18)	-
Net cash used in investing activities	$ (4,075)	$ (3,775)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Canadian Dollars in thousands

	Year ended December 31 ,	
	2020	**2019**
Cash provided by financing activities:		
Proceeds from issuance of share capital, net of issuance costs (see Note 15b)	$ -	$ 15,570
Proceeds from issuance of warrants measured at fair value	-	2,597
Proceeds from exercise of warrants and compensation options	6,378	-
Proceeds from exercise of options	612	-
Repayment of lease liability	(182)	(102)
Repayment of lease liability interest	(68)	(63)
Repayment of bank loan	-	(951)
Net cash provided by financing activities	6,740	17,051
Effect of foreign exchange on cash and cash equivalents	213	(982)
Increase (decrease) in cash and cash equivalents	(5,041)	6,335
Cash and cash equivalents at beginning of year	13,926	7,591
Cash and cash equivalents at end of year	$ 8,885	$ 13,926
Supplemental disclosure of non-cash activities:		
Right-of-use asset recognized with corresponding lease liability	$ 107	$ (396)
(a) Acquisition of a subsidiary:		
The subsidiary's assets and liabilities at date of acquisition:		
Working capital (excluding cash and cash equivalents)	-	166
Bank credit	-	(321)
Bank loan	-	(624)
Property, plant and equipment	-	1,074
Intangible assets	-	996
Goodwill	-	292
Deferred tax liability	-	(267)
	$ -	$ 1,316

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

NOTE 1:- GENERAL

a. Corporate information:

IM Cannabis Corp. (the "Company" or "IMCC) is listed on the Canadian Securities Exchange ("CSE") under the ticker symbol "IMCC". IMCC's main office is located in Kibutz Glil-Yam, Israel.

On March 1, 2021, subsequent to the reporting period, the Company listed and commenced trading on NASDAQ under the ticker symbol "IMCC".

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

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

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.

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.

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.

NOTE 1:- GENERAL (Cont.)

b. Strategic developments:

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

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

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

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

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

   In addition, the Joint Venture and IMC have signed a preferred supply agreement (the "Supply Agreement"). Under the Supply Agreement, IMC has the right to purchase up to 25% of the total production from the Joint Venture at a preferred price as determined in the agreement, for an initial period of five years. As of the date of the approval of the consolidated financial statements, no capital expenditures have been made towards the Joint Venture given the uncertainty relating to COVID-19.

3. During March and April 2020, Focus entered into six medical cannabis sales agreements with pharmacies in Israel, for the sale of an aggregate of approximately 33,000Kg IMC-branded products, over the next four years, starting in 2020.

NOTE 1:- GENERAL (Cont.)

4. During March and April 2020, Focus entered into four supply agreements with growers in Israel for the purchase of IMC-branded products over the next three years, starting from 2021 and subject to meeting certain milestones by the growers. A supply agreement with one of the growers was terminated as certain milestones under the agreement was not achieved by the grower and the agreement expired.

5. In July 2020, Adjupharm entered into several binding medical cannabis sales agreements with the following distributors in Germany: Zur Rose Group ("Zur Rose"), Axicorp Groupremedix GmbH ("Axicorpremedix"), Canymed GmbH ("Canymed") and Materia Deutscheland GmbH ("Materia"). The sales agreements entered into with Axicorpremedix and Canymed are each for a period of three-years and the sales agreements entered into with Zur Rose and Materia is for a period of one-year. These agreements amount to an aggregate of 1,525kg to be delivered over the term of the agreements.

   On March 30, 2021, subsequent to the reporting period, Zur Rose and the Company entered into a termination settlement agreement according to Zur Rose's request, according to which, Adjupharm received a termination fee. According to the termination agreement no inventory will be transferred from Zur Rose to Adjupharm or the opposite.

6. On July 24, 2020, Focus signed a supply agreement with Ever Green Solomon Pharma Ltd. ("Ever Green") (the "Solomon Supply Agreement") to purchase all of the medical cannabis produced by Ever Green for a period of five years with an option for Focus to extend the Solomon Supply Agreement for an additional five years, at a fixed price per gram. The finished products will be sold to pharmacies in Israel under the IMC brand.

c. Approval of consolidated financial statements:

These consolidated financial statements of the Group were authorized for issue by the board of directors on April 23, 2021.

NOTE 1:- GENERAL (Cont.)

d. Definitions:

In these financial statements:

The Company, or IMCC	-	IM Cannabis Corp.
The Group	-	IM Cannabis Corp., its Subsidiaries and Focus
Subsidiaries	-	Companies that are controlled by the Company (as defined in IFRS 10) and whose accounts are consolidated with those of the Company
CAD or $	-	Canadian Dollar
NIS	-	New Israeli Shekel
USD or US$	-	United States Dollar
EURO or €	-	Euro

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

a. Basis of presentation:

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Group's financial statements have been prepared on a cost basis, except for:

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

The Group has elected to present the profit or loss items using the function of expense method.

b. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights are considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

Canadian Dollars in thousands, except share and per share data

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES) Cont.)

As of December 31, 2020 and 2019, major subsidiaries over which the Company has control, directly or indirectly, include

Subsidiaries	Percentage ownership	
	2020	2019
I.M.C. Holdings Ltd ("IMC")	100%	100%
Focus Medical Herbs Ltd. ("Focus") *)	74 %	74 %
I.M.C Farms Israel Ltd. ("IMC Farms")	100%	100%
I.M.C Ventures Ltd. ("IMC Ventures")	75%	75%
I.M.C - International Medical Cannabis Portugal Unipessoal Lda	100%	100%
Adjupharm GmbH ("Adjupharm")	92.5%	95%

*) See also Note 1b(1)

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

Non-controlling interests in subsidiaries represent the equity in subsidiaries not attributable, directly or indirectly, to a parent. Non-controlling interests are presented in equity separately from the equity attributable to the equity holders of the Company. Profit or loss and components of other comprehensive income are attributed to the Company and to non-controlling interests. Losses are attributed to non-controlling interests even if they result in a negative balance of non-controlling interests in the consolidated statement of financial position.

The disposal of a subsidiary that does not result in a loss of control is recognized as a change in equity. Upon the disposal of a subsidiary resulting in loss of control, the Company:

- Derecognizes the subsidiary's assets (including goodwill) and liabilities.
- Derecognizes the carrying amount of non-controlling interests.
- Derecognizes the adjustments arising from translating financial statements carried to equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any remaining investment.
- Reclassifies the components previously recognized in other comprehensive income (loss) on the same basis as would be required if the subsidiary had directly disposed of the related assets or liabilities.
- Recognizes any resulting difference (surplus or deficit) as gain or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES) Cont.)

c. Business combinations and goodwill:

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

Direct acquisition costs are carried to the statement of profit or loss as incurred.

In a business combination achieved in stages, equity interests in the acquiree that had been held by the acquirer prior to obtaining control are measured at the acquisition date fair value while recognizing a gain or loss resulting from the revaluation of the prior investment on the date of achieving control.

Contingent consideration is recognized at fair value on the acquisition date and classified as a financial asset or liability in accordance with IFRS 9. Subsequent changes in the fair value of the contingent consideration are recognized in profit or loss. If the contingent consideration is classified as an equity instrument, it is measured at fair value on the acquisition date without subsequent remeasurement.

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

d. Functional currency, presentation currency and foreign currency:

1. Functional currency and presentation currency:

The functional currency of the Company is the New Israeli Shekel ("NIS"). The Group determines the functional currency of each Group entity.

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

Assets, including fair value adjustments upon acquisition, and liabilities of an investee which is a foreign operation, and of each Group entity for which the functional currency is not the presentation currency are translated at the closing rate at each reporting date. Profit or loss items are translated at average exchange rates for all periods presented. The resulting translation differences are recognized in other comprehensive income (loss).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES) Cont.)

Upon the full or partial disposal of a foreign operation resulting in loss of control in the foreign operation, the cumulative gain (loss) from the foreign operation which had been recognized in other comprehensive income is transferred to profit or loss. Upon the partial disposal of a foreign operation which results in the retention of control in the subsidiary, the relative portion of the amount recognized in other comprehensive income is reattributed to non-controlling interests.

2. Transactions, assets and liabilities in foreign currency:

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

Non-monetary assets and liabilities denominated in foreign currency and measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

e. Cash equivalents:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of investment or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Group's cash management.

f. Short-term deposits:

Short-term bank deposits are deposits with an original maturity of more than three months from the date of investment and which do not meet the definition of cash equivalents. The deposits are presented according to their terms of deposit.

g. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable directly or indirectly.

Level 3 - inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

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

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

h. Biological assets:

The Group's biological assets consist of cannabis plants.

The Group capitalizes the direct and indirect costs incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest. The direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2, Inventories. These costs include the direct cost of planting and growing materials as well as other indirect costs such as utilities and supplies used in the cultivation process.

Indirect labor for individuals involved in the cultivation and quality control process is also included, as well as depreciation on growing equipment and overhead costs such as rent to the extent it is associated with the growing space. All direct and indirect costs of biological assets are capitalized as they are incurred, and they are all subsequently recorded within the line item cost of revenues on the Group's statements of profit or loss and other comprehensive income in the period that the related product is sold.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES) Cont.)

The Group then measures the biological assets at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of inventories after harvest. The fair value is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price per gram and also for any additional costs to be incurred (e.g., post-harvest costs). The net unrealized gains or losses arising from changes in fair value less cost to sell during the period are included in the gross profit for the related period and are recorded in a separate line on the face of the Group's statements of profit or loss and other comprehensive income.

Determination of the fair values of the biological assets requires the Group to make assumptions about how market participants assign fair values to these assets. These assumptions primarily relate to the level of effort required to bring the cannabis up to the point of harvest, costs to convert the harvested cannabis to finished goods, sales price, risk of loss, expected future yields from the cannabis plants and estimating values during the growth cycle.

The Group accretes fair value on a straight-line basis according to stage of growth (e.g., a cannabis plant that is 50% through its growing cycle would be ascribed approximately 50% of its harvest date expected fair value, subject to wastage adjustments).

The fair value of biological assets is categorized within Level 3 of the fair value hierarchy. For the inputs and assumptions used in determining the fair value of biological assets, see Note 9.

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

i. Inventories:

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale. The Group reviews inventory for obsolete, redundant and slow-moving goods and any such inventory are written-down to net realizable value.

Inventories of purchased finished goods and packing materials are initially valued at cost and subsequently at the lower of cost and net realizable value.

The direct and indirect costs of inventory initially include the fair value of the biological asset at the time of harvest. They also include subsequent costs such as materials, labor and depreciation expense on equipment involved in packaging, labeling and inspection.

All direct and indirect costs related to inventory are capitalized as they are incurred, and they are subsequently recorded within cost of revenues on the Group's statements of profit or loss and other comprehensive income at the time cannabis is sold, except for realized fair value amounts included in inventory sold which are recorded as a separate line item on the face of the statements of profit or loss and other comprehensive income.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES) Cont.)

The Group must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged.

j. Property, plant and equipment:

Property, plant and equipment are measured at cost, including directly attributable costs, less accumulated depreciation, accumulated impairment losses and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that are used in connection with plant and equipment.

A part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately using the component method.

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

	%	Mainly %
Buildings	3	3
Greenhouse production equipment	7 - 25	20
Greenhouse structure	12.5	12.5
Motor vehicles	15	15
Computer, software and equipment	20 - 33	33
Leasehold improvements	See below	See below

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the improvement.

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

k. Impairment of non-financial assets:

The Group evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES) Cont.)

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

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

Goodwill in respect of subsidiaries:

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

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

l. Revenue recognition:

The Group apply IFRS 15, Revenue from Contracts with Customers.

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue, at a 'point in time' or 'over time', the assessment of which requires judgment. The model features the following contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized:

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

Under IFRS 15, revenue from the sale of cannabis is generally recognized at a point in time when control over the goods have been transferred to the customer. Payment is typically due prior to or upon delivery and revenue is recognized upon the satisfaction of the performance obligation. The Group satisfies its performance obligation and transfers control upon delivery and acceptance by the customer.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES) Cont.)

m. Leases:

The Company adopted IFRS 16, "Leases" (the "Standard"), commencing from January 1, 2019, using the modified retrospective approach (without restatement of comparative data).

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

For leases in which the Company is the lessee, the Company recognizes on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months and leases for which the underlying asset is of low value. For these excluded leases, the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term. In measuring the lease liability, the Company has elected to apply the practical expedient in the Standard and does not separate the lease components from the non-lease components (such as management and maintenance services, etc.) included in a single contract.

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

On the commencement date, the lease liability includes all unpaid lease payments discounted at the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Company's incremental borrowing rate. After the commencement date, the Company measures the lease liability using the effective interest rate method.

On the commencement date, the right-of-use asset is recognized in an amount equal to the lease liability plus lease payments already made on or before the commencement date and initial direct costs incurred. The right-of-use asset is measured applying the cost model and amortized over the shorter of its useful life and the lease term. The periods of amortization are: Land and buildings - 11.5 years; Motor vehicles - 3 years.

Variable lease payments that depend on an index:

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

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Lease extension and termination options:

A non-cancelable lease term includes both the periods covered by an option to extend the lease when it is reasonably certain that the extension option will be exercised and the periods covered by a lease termination option when it is reasonably certain that the termination option will not be exercised.

In the event of any change in the expected exercise of the lease extension option or in the expected non-exercise of the lease termination option, the Company remeasures the lease liability based on the revised lease term using a revised discount rate as of the date of the change in expectations. The total change is recognized in the carrying amount of the right-of-use asset until it is reduced to zero, and any further reductions are recognized in profit or loss.

n. Research and development expenditures:

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

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

o. Financial instruments:

The Group apply the provisions of IFRS 9, "Financial Instruments".

1. Financial assets :

Financial assets are measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Group classifies and measures debt instruments in the financial statements based on the following criteria:

- The Group's business model for managing financial assets; and
- The contractual cash flow terms of the financial asset.

Debt instruments are measured at amortized cost when:

The Group's business model is to hold the financial assets in order to collect their contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, the instruments in this category are measured according to their terms at amortized cost using the effective interest rate method, less any provision for impairment.

Debt instruments are measured at fair value through profit or loss when:

A financial asset which is a debt instrument does not meet the criteria for measurement at amortized cost or at fair value through other comprehensive income. After initial recognition, the financial asset is measured at fair value and gains or losses from fair value adjustments are recognized in profit or loss.

Equity instruments:

Investments in equity instruments do not meet the above criteria and accordingly are measured at fair value through profit or loss. Dividends from investments in equity instruments are recognized in profit or loss when the right to receive the dividends is established.

Impairment of financial assets:

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Derecognition of financial assets:

A financial asset is derecognized only when:

- The contractual rights to the cash flows from the financial asset has expired; or
- The Group has transferred substantially all the risks and rewards deriving from the contractual rights to receive cash flows from the financial asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset; or
- The Group has retained its contractual rights to receive cash flows from the financial asset but has assumed a contractual obligation to pay the cash flows in full without material delay to a third party.

2. Financial liabilities:

Financial liabilities measured at amortized cost:

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability.

After initial recognition, the Group measures all financial liabilities at amortized cost using the effective interest rate method, except for financial liabilities at fair value through profit or loss.

Financial liabilities measured at fair value through profit or loss:

At initial recognition, the Company measures financial liabilities that are not measured at amortized cost at fair value. Transaction costs incurred at initial recognition are recognized in profit or loss.

After initial recognition, changes in fair value are recognized in profit or loss.

Derecognition of financial liabilities:

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is discharged or cancelled or expires. A financial liability is extinguished when the debtor discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

3. Issue of a unit of securities:

The issue of a unit of securities involves the allocation of the proceeds received (before issue expenses) to the securities issued in the unit based on the following order: financial derivatives and other financial instruments measured at fair value in each period. Then fair value is determined for financial liabilities that are measured at amortized cost. The proceeds allocated to equity instruments are determined to be the residual amount. Issue costs are allocated to each component pro rata to the amounts determined for each component in the unit.

p. Employee benefit liabilities:

The Group has several employee benefit plans:

1. Short-term employee benefits:

Short-term employee benefits are benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered.

A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits:

The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.

The Group has defined contribution plans pursuant to section 14 to the Israeli Severance Pay Law under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not
hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Group also operates a defined benefit plan in respect of severance pay pursuant to the Israeli Severance Pay Law. According to the Severance Pay Law, employees are entitled to severance pay upon dismissal or retirement. The liability for termination of employment is measured using the projected unit credit method. The actuarial assumptions include expected salary increases and rates of employee turnover based on the estimated timing of payment. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to market yields at the reporting date on high quality corporate bonds that are linked to the Consumer Price Index with a term that is consistent with the estimated term of the severance pay obligation.

In respect of its severance pay obligation to certain of its employees, the Group makes current deposits in pension funds and insurance companies (the "plan assets"). Plan assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the Group's own creditors and cannot be returned directly to the Group.

The liability for employee benefits shown in the statement of financial position reflects the present value of the defined benefit obligation less the fair value of the plan assets.

Remeasurements of the net liability are recognized in other comprehensive income in the period in which they occur.

q. Share-based payment transactions:

The Group's employees and service providers are entitled to remuneration in the form of equity-settled share-based payments.

Equity-settled transactions:

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using an acceptable option pricing model.

As for other service providers, the cost of the transactions is measured at the fair value of the goods or services received as consideration for equity instruments granted.

The cost of equity-settled transactions is recognized in profit or loss together with a corresponding increase in equity during the period which the performance and/or service conditions are to be satisfied ending on the date on which the relevant employees become entitled to the award (the "vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

r. Provisions:

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects part or all of the expense to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense is recognized in the statement of profit or loss net of any reimbursement.

s. Taxes on income:

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or equity.

Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred taxes are measured at the tax rate that is expected to apply when the asset is realized, or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

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

Deferred taxes are offset if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

t. Earnings per share:

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

Potential Ordinary Shares are included in the computation of diluted earnings per share when their conversion decreases earnings per share from continuing operations. Potential Ordinary Shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is included based on its share of earnings per share of the investees multiplied by the number of shares held by the Company.

u. Intangible assets:

Separately acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Expenditures relating to internally generated intangible assets, excluding capitalized development costs, are recognized in profit or loss when incurred.

Intangible assets with indefinite useful lives are not systematically amortized and are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. The useful life of these assets is reviewed annually to determine whether their indefinite life assessment continues to be supportable. If the events and circumstances do not continue to support the assessment, the change in the useful life assessment from indefinite to finite is accounted for prospectively as a change in accounting estimate and on that date the asset is tested for impairment. Commencing from that date, the asset is amortized systematically over its useful life.

Intangible assets with a finite useful life are amortized over their useful life and reviewed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each year end.

Amortization is calculated on a straight-line basis over the useful life of the assets as follows:

	Years
Licenses arose from acquisition of subsidiary (see Note 6)	indefinite
Other intangibles	6 - 15

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

1. *Initial application of IFRS 3, "Business Combinations":*

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

The Amendment consists of the following:

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

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

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

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

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

The Amendment is to be applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The adoption of this Amendment did not have a material effect on the consolidated financial statements.

NOTE 3:- SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

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

a. Judgments:

- Determining the fair value of share-based payment transactions:

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

- Discount rate for a lease liability:

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

b. Estimates and assumptions:

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

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

- 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.

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

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

- Biological assets and inventory:

  In calculating the value of the biological assets and inventory, management is required to make several estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, average or expected selling prices and list prices, expected yields for the cannabis plants, and oil conversion factors. The valuation of work-in-process and finished goods also requires the estimate of conversion costs incurred, which become part of the carrying amount for the inventory. The Company must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged. See Note 10 for further information.

- Legal claims:

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

- Deferred tax assets:

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

NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION

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

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

The Amendment includes the following clarifications:

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

The 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 Amendment on its current loan agreements.

NOTE 5:- REVERSE TAKEOVER

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

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

NOTE 5:- REVERSE TAKEOVER (Cont.)

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

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

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

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

NOTE 6:- BUSINESS COMBINATIONS

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

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

Canadian Dollars in thousands, except share and per share data

NOTE 6:- BUSINESS COMBINATIONS (Cont.)

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

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

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

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

Canadian Dollars in thousands, except share and per share data

NOTE 6:- BUSINESS COMBINATIONS (Cont.)

Cash outflow/inflow on the acquisition:

Cash and cash equivalents acquired with the acquiree at the acquisition date	$	84
Cash paid		(1,400)
Net cash outflow	$	(1,316)

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

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

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

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

The share-based payment expenses of subsidiary for the years ended December 31, 2020 and 2019, amounted to $59 and $102, respectively.

See Note 11 for additional information on goodwill and intangible assets.

NOTE 7:- TRADE RECEIVABLES

	December 31,	
	2020	**2019**
Wholesalers and pharmacies	$ 5,501	$ 1,810

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. As of December 31, 2020 and 2019, there were no material past-due receivables.

Major customers data as a percentage of total revenues:

	December 31,	
	2020	**2019**
Customer A	35 %	-
Customer B	33%	2%

Canadian Dollars in thousands, except share and per share data

NOTE 8:- OTHER ACCOUNTS RECEIVABLE

	December 31,	
	2020	2019
Prepaid expenses	$ 472	$ 266
Government authorities	75	187
Related parties (see Note 21)	36	63
Other receivables	106	-
	$ 689	$ 516

NOTE 9:- BIOLOGICAL ASSETS

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

Balance at January 1, 2019	$ 89
Production costs capitalized	1,108
Changes in fair value less cost to sell due to biological transformation	5,990
Transferred to inventory upon harvest	(7,137)
Foreign exchange translation	2
Balance at December 31, 2019	52
Production costs capitalized	2,717
Changes in fair value less cost to sell due to biological transformation	11,782
Transferred to inventory upon harvest	(14,478)
Foreign exchange translation	5
Balance at December 31, 2020	$ 78

As of December 31, 2020, the weighted average fair value less cost to sell was $518 per gram.

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

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

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

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

Canadian Dollars in thousands, except share and per share data

NOTE 9:- BIOLOGICAL ASSETS (Cont.)

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

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

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

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

	December 31,		10% change as at December 31,	
	2020	2019	2020	2019
Average selling price per gram of dried cannabis (in CAD)	$ 6.01	$ 3.39	$ 8.86	$ 6.20
Average post-harvest costs per gram of dried cannabis (in CAD)	$ 0.83	$ 0.73	$ 1.23	$ 0.90
Attrition rate	5%	6%	0.43	0.4
Average yield per plant (in grams)	54	94	7.64	5.2
Average stage of growth	4%	5%	7.64	5.2

These estimates are subject to volatility in market prices and a number of uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

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

Canadian Dollars in thousands, except share and per share data

NOTE 10:- INVENTORIES

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

	December 31, 2019		
	Capitalized costs	Fair valuation adjustment, net	Carrying value
Work in progress:			
Bulk cannabis	$ 693	$ 1,596	$ 2,289
Finished goods:			
Packaged dried cannabis	922	1,849	2,771
Other	362	-	3 62
Balance as at December 31, 2019	$ 1,977	$ 3,445	$ 5,422

During the years ended December 31, 2020 and 2019, inventory expensed to cost of goods sold was $17,203 and $11 ,135, respectively, which included $10,122 and $6,374 of non-cash expense, respectively, related to the changes in fair value of inventory sold.

In addition, during the years ended December 31, 2020 and 2019, The write-downs of inventories recognized in cost of sales amounted to $291 and $nil, respectively.

Cost of revenues in 2020 and 2019 also include production overhead not allocated to costs of inventories produced and recognized as an expense as incurred.

Canadian Dollars in thousands, except share and per share data

NOTE 11:- PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS, NET

a. Property, Plant and equipment, net:

	Buildings and improvements	Greenhouse production equipment	Greenhouse structure	Computer, software and equipment	Motor vehicles	Total
Cost:						
Balance at January 1, 2019	$ 78	$ 820	$ 683	$ 5	$ 18	$ 1,604
Additions during the year	577	679	174	167	-	1,597
Additions from business combination	1,074	-	-	-	-	1,074
Foreign currency translation	(54)	35	27	2	1	11
Balance, December 31, 2019	1,675	1,534	884	17 4	19	4,286
Additions during the year	705	1,123	648	95	44	2,615
Foreign currency translation	97	104	63	10	2	276
Balance December 31, 2020	2,477	2,761	1,595	279	65	7,177
Accumulated depreciation:						
Balance at January 1, 2019	2	338	186	1	4	531
Depreciation during the year	44	181	87	25	3	340
Foreign currency translation	-	15	7	-	1	23
Balance, December 31, 2019	46	534	280	26	8	894
Depreciation during the year	132	350	147	52	9	690
Foreign currency translation	6	35	17	3	-	61
Balance, December 31, 2020	184	919	444	81	17	1,645
Net book value:						
December 31, 2020	$ 2,293	$ 1,842	$ 1,151	$ 198	$ 48	$ 5,532
December 31, 2019	$ 1,629	$ 1,000	$ 604	$ 148	$ 11	$ 3,392

Canadian Dollars in thousands, except share and per share data

NOTE 11:- PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS, NET (Cont.)

b. Intangible assets, net:

	Licenses*)	Other	Total
Cost:			
Balance as of January 1, 2019	-	-	-
Initially consolidated company (see Note 6)	811	183	994
Disposals	-	-	-
Adjustments arising from translating financial statements from functional currency to presentation currency	20	-	20
Balance as of December 31, 2019	831	183	1,014
Purchases	-	93	93
Disposals	-	-	-
Fair value adjustment derived from final purchase price allocation	110	-	110
Adjustments arising from translating financial statements from functional currency to presentation currency	26	6	32
Balance as of December 31, 2020	967	282	1,249
Accumulated amortization and impairment:			
Balance as of January 1, 2019	-	-	-
Amortization recognized in the year	125	-	125
Adjustments arising from translating financial statements from functional currency to presentation currency	-	-	-
Balance as of December 31, 2019	125	-	125
Amortization recognized in the year	-	31	31
Adjustments arising from translating financial statements from functional currency to presentation currency	-	1	1
Balance as of December 31, 2020	125	32	157
Amortized cost at December 31, 2019	706	183	889
Amortized cost at December 31, 2020	842	250	1,092

*) The licenses consist of GMP and GDP licenses. The GMP and GDP licenses have indefinite life.

c. Impairment of goodwill and intangible assets:

The recoverable amount of the intangible assets and the goodwill was determined based on the value in use which is calculated at the expected estimated future cash flows from Adjupharm, as determined according to the budget for the next three years and approved by the Company's management. The pre-tax discount rate of the cash flows is 12.15%. The projected cash flows for the period exceeding three years was estimated using a fixed growth rate of 2%, representing the long-term average growth rate as customary in Adjupharm's business.

Sensitivity analysis of changes in assumptions:

With respect to the assumptions used in determining the value in use of Adjupharm, management believes that there are no potential changes in the key assumptions which might lead to a significant increase in the carrying amount of Adjupharm over its recoverable amount.

Canadian Dollars in thousands, except share and per share data

NOTE 12:- RIGHT-OF-USE ASSETS

	Land and buildings (*)	Motor vehicles	Total
Cost:			
Balance as of January 1, 2019	$ 777	$ -	$ 777
Additions during the year:			
New leases	167	229	396
Adjustments arising from translating financial statements from functional currency to presentation currency	11	2	13
Disposals during the year:			
Termination of leases	-	(36)	(36)
Balance as of December 31, 2019	955	195	1,150
Additions during the year:			
New leases	-	107	107
Adjustments arising from translating financial statements from functional currency to presentation currency	50	12	62
Disposals during the year:			
Termination of leases	-	(73)	(73)
Balance as of December 31, 2020	1,005	241	1,246
Accumulated depreciation:			
Balance as of January 1, 2019	-	-	-
Additions during the year:			
Depreciation and amortization	79	57	136
Adjustments arising from translating financial statements from functional currency to presentation currency	1	-	1
Disposals during the year:			
Termination of leases	-	(10)	(10)
Balance as of December 31, 2019	80	47	127
Additions during the year:			
Depreciation and amortization	107	102	209
Adjustments arising from translating financial statements from functional currency to presentation currency	7	3	10
Disposals during the year:			
Termination of leases	-	(35)	(35)
Balance as of December 31, 2020	194	117	311
Depreciated cost at December 31, 2020	$ 811	$ 124	$ 935
Depreciated cost at December 31, 2019	$ 875	$ 148	$ 1,023

NOTE 12:- RIGHT-OF-USE ASSETS (Cont.)

(*) 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 will jointly operate an area of 7,000 square meters (the "facility") for the cultivation and processing of medical cannabis (the "Venture"). For the purpose of this venture, the parties will operate in the framework of Focus. As part of the agreement, 26% of the share capital of Focus was allocated to the Farmer.

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

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

NOTE 13:- EMPLOYEE BENEFIT ASSETS AND LIABILITIES

Employee benefits consist of short-term benefits and post-employment benefits.

Post-employment benefits:

According to the labor laws and Severance Pay Law in Israel, the Group is required to pay compensation to an employee upon dismissal or retirement or to make current contributions in defined contribution plans pursuant to Section 14 to the Severance Pay Law, as specified below. The Group's liability is accounted for as a post-employment benefit only for employees not under Section 14. The computation of the Group's employee benefit liability is made in accordance with a valid employment contract or a collective employees agreement based on the employee's salary and employment term which establish the entitlement to receive the compensation.

The post-employment employee benefits are normally financed by contributions classified as defined benefit plans, as detailed below:

a. Defined benefit plans:

The Group accounts for the payment of compensation, that is not covered by contributions in defined contribution plans, as above, as a defined benefit plan for which an employee benefit liability is recognized and for which the Group deposits amounts in a long-term employee benefit fund and in qualifying insurance policies.

Canadian Dollars in thousands, except share and per share data

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

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

	Year ended December 31,	
	2020	2019
Current service cost	$ 166	$ 134
Interest expenses	10	9
Total employee benefit expenses	176	143
Interest income on plan assets	$ 4	$ 4

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

	December 31,	
	2020	2019
Defined benefit obligation	$ 588	$ 390
Fair value of plan assets	(217)	(128)
Net defined benefit liability	$ 371	$ 262

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

	2020	2019
Balance at January 1,	$ 390	$ 261
Current service cost	166	134
Interest expenses	10	9
Benefits paid	(23)	(54)
Re-measurement loss on defined benefit plans	32	29
Foreign currency translation effect	13	11
Balance at December 31,	$ 588	$ 390

Canadian Dollars in thousands, except share and per share data

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

e. Changes in the fair value of plan assets:

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

	2020	2019
Balance at January 1,	$ 128	$ 85
Interest income	4	4
Return, net of interest income - remeasurement gain (loss)	2	(1)
Benefits paid	(23)	(54)
Amounts deposited	101	92
Foreign currency translation effect	5	2
Balance at December 31,	$ 217	$ 128

f. The principal assumptions underlying the defined benefit plan:

	2020	2019
	%	
Discount rate	2.58	2.87
Salary growth	3.37	3.24

Based on reasonably possible changes of the principal assumptions underlying the defined benefit plan as mentioned above, occurring at the end of the reporting period, the changes would have an immaterial effect on the consolidated financial statements.

NOTE 14:- OTHER PAYABLES

	December 31,	
	2020	2019
Accrued expenses	$ 407	$ 597
Employees and payroll accruals	1,545	230
Government authorities	642	450
Advances from customers	741	-
Other payables	162	181
	$ 3,497	$ 1,458

Canadian Dollars in thousands, except share and per share data

NOTE 15:- FINANCIAL INSTRUMENTS

The carrying values of the financial instruments as of December 31, 2020, and 2019, are summarized in the following table:

	For the year ended December 31, 2020			
	Amortized cost	FVTPL	Total	Note
Financial assets:				
Cash and cash equivalents	$ 8,885	$ -	$ 8,885	
Restricted bank deposits	18	-	18	
Trade receivables	5,501	-	5,501	
Investments	-	2,341	2,341	c
Other accounts receivables	142	-	142	
Financial liabilities:				
Trade payables	2,605	-	2,605	
Other account payables and accrued expenses	2,114	-	2,114	
Warrants	-	16,540	16,540	a, b
Lease liabilities	$ 990	$ -	$ 990	

	For the year ended December 31, 2019			
	Amortized cost	FVTPL	Total	Note
Financial assets:				
Cash and cash equivalents	$ 13,926	$ -	$ 13,926	
Trade receivables	1,810	-	1,810	
Investments	-	912	912	c
Other accounts receivables	516	-	516	
Financial liabilities:				
Trade payables	992	-	992	
Other account payables and accrued expenses	1,458	-	1,458	
Warrants	-	197	197	a, b
Lease liabilities	$ 1,050	-	$ 1,050	

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

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

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

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

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

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

	December 31,		
	2020 (*)	2019	Sensitivity
Expected volatility	74 %	64%	Increase (decrease) in key assumptions would result in increase (decrease) in fair value.
Expected life (in years)	0.02	0.45	
Risk-free interest rate	0.22%	1.76%	Increase (decrease) in key assumptions would result in decrease (increase) in fair value.
Expected dividend yield	0%	0%	
Fair value:			
Per Warrant (Canadian Dollar)	0.3 4	0.02	
Total Warrants (Canadian Dollar in thousands)	3,872	197	

*) Represents the key fair value assumptions through date of exercise. All 2018 Warrants were converted during May through June 2020.

During June 2020, the Company has received $6,032 proceeds from Warrants and Compensation options exercised, which were issued in May through June, 2018, with expiration dates between May through June, 2020 (the "Warrants and Compensation options"). A total of 12,350,795 Warrants and Compensation options were exercised, representing 92.1% of the total Warrants and Compensation options quantity, at a price of $0.50 per Warrant and $0.40 per Compensation option. The Warrants which were accounted for as a liability were revalued to their fair value immediately prior to their exercise. The revaluation in the amount of $3,675 was recorded as finance expenses. The carrying amount of the liability was reclassified to equity upon exercise of the Warrants. The unexercised Warrants and Compensation options expired.

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

As of December 31, 2020 and 2019, there were nil and 11,413,750 (after the effect of the split 1:10) 2018 Warrants outstanding, with fair value in the amount of $nil and $197, respectively. for the year ended December 31, 2020 and 2019, the Company recognized a revaluation loss (gain) of $3,675 and ($856), respectively, in the consolidated statement of profit or loss and other comprehensive income, which unrealized gain is included in finance income (expense).

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

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

In addition, IMC granted to the Agents options to acquire 1,199,326 Compensation units (the "2019 Compensation Units") at an exercise price of $1.05 per unit. Each 2019 Compensation Unit consists of one IMCC Ordinary Share and one half IMCC Warrant, with each whole IMCC Warrant exercisable for one IMC Ordinary Share at an exercise price of $1.3 for 36 months following the issuance.

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

As of December 31, 2020 and 2019, there were 9,729,264 and 9,730,264 2019 Warrants outstanding from the 2019 Private Placements, respectively, and the Company re-measured the 2019 Warrants, according to their trading price in the market, in the amount of $16,540 and $ nil, respectively (level 1 in fair value hierarchy). As a result, for the year ended December 31, 2020 and 2019, the Company recognized a revaluation loss (gain) of $16,283 and ($2,597), respectively, in the consolidated statement of profit or loss and other comprehensive income, which unrealized gain is included in finance income (expense).

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

In addition, as of December 31, 2020 and 2019, there were nil and 706,713 warrants outstanding, respectively, from the issuance to the Navasota shareholders in the RTO (see Note 5). During 2020, a total of 113,520 warrants were exercised to common shares for an exercise price of $0.283, and the remaining warrants expired on April 13, 2020.

During the year ended December 31, 2020, a total of 1,000 of 2019 Warrants were converted to 1,000 Ordinary shares of the Company. As a result, the Company received a total amount of $1, at a price of $1.3 per 2019 Warrant.

During the year ended December 31, 2020, a total of 327,780 Compensation Units were converted to 327,780 Ordinary shares and 163,890 Warrants of the Company. As a result, the Company received a total amount of $344.

c. On December 26, 2019, IMC entered into a share purchase agreement (the "SPA") with Xinteza API Ltd. ("Xinteza"), a company with a unique biosynthesis technology, whereby the Company has committed to acquire, in a number of installments, a total of approximately 38,000 convertible preferred shares ("Preferred Shares") of Xinteza for an aggregate consideration of US$1.7 million. The first installment in the amount of US$700 thousand ($912) for the purchase of approximately 15,700 Preferred Shares was made on the date of the SPA. The remaining installments amounting to US$1,000 thousand ($1,347) were made during 2020 for the purchase of additional 22,401 Preferred Shares.

The Preferred Shares are convertible, at the option of the Company at any time, into Ordinary shares of Xinteza at a conversion ratio of 1:1. The conversion ratio is to be adjusted pursuant to anti-dilution and other provisions of the SPA. As of the date of the SPA, the total Preferred Shares to be acquired by the Company represents, on an if-converted and fully diluted basis, approximately 24.2% of the outstanding share capital of Xinteza. The Preferred Shares have preference in dividends and other distributions and entitle their holder to certain voting and veto rights.

The investment in the Preferred Shares is accounted for as financial asset measured at fair value through profit or loss. The fair value of the investment as of December 31, 2020 and 2019, was $2,341 and $912, respectively.

As of December 31, 2020, the fair value of the Xinteza was categorized within Level 2 of the fair value hierarchy. The fair value was measured according to Xinteza's fair value based on the latest SPA signed with Xinteza for the acquisition of preferred shares of the same terms and conditions.

Under an exclusive license from Yeda Research & Development Company Ltd. ("Yeda"), the commercial arm of the Weizmann Institute of Science, Xinteza is developing advanced proprietary technologies related to the production of cannabinoid-based active pharmaceutical ingredients ("API") for the pharmaceutical and food industries using biosynthesis and bio-extraction technologies.

Canadian Dollars in thousands, except share and per share data

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

d. Financial risk management:

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

Share price risk:

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

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

At the reporting date, the Group's exposure to investments in unlisted shares measured at fair value was $2,341.

Credit risk:

The maximum credit exposure at December 31, 2020, is the carrying amount of cash and cash equivalents, accounts receivable and other current assets. The Group does not have significant credit risk with respect to customers. All cash and cash equivalents are placed with major Israeli financial institutions.

Liquidity risk:

As at December 31, 2020, the Group's financial liabilities with liquidity risk consist of trade payables and other accounts payable which have contractual maturity dates within one year, and lease liabilities. The Group manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Group's working capital position at December 31, 2020, 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):

December 31, 2020:

	Less than one year	1 to 5 years	6 to 10 years	>10 years
Lease liabilities	$ 232	$ 547	$ 515	$ -

December 31, 2019:

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

The maturity profile of the Company's other financial liabilities with liquidity risk (trade payables, other account payable and accrued expenses) as of December 31, 2020 and 2019, are less than one year.

Canadian Dollars in thousands, except share and per share data

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

Currency rate risk:

As at December 31, 2020, a portion of the Group's financial assets and liabilities held in Euro and CAD consist of cash and cash equivalents in the amount of €472 thousand (approximately $738) and $4,188, respectively. The Group's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties in NIS. The Group does not currently use foreign exchange contracts to hedge its exposure of its foreign currency cash flows as management has determined that this risk is not significant at this point of time.

e. Changes in liabilities arising from financing activities:

	Short-term loans	Lease liabilities	Warrants	Total liabilities arising from financing activities
Balance as of January 1, 2019	$ -	$ -	$ 1,053	$ 1,053
Additions due to acquisition of subsidiary	945	-	-	945
Issuance of new warrants	-	-	2,797	2,797
Initial application of IFRS 16	-	777	-	777
Additions for new leases	-	396	-	396
Cash flows	(951)	(165)	-	(1,116)
Other changes	6	42	-	48
Effect of changes in fair value	-	-	(3,653)	(3,653)
Balance as of December 31, 2019	-	1,050	197	1,247
Additions for new leases	-	107	-	107
Cash flows	-	(250)	-	(250)
Conversion of warrant	-	-	(3,873)	(3,873)
Other changes	-	83	61	144
Effect of changes in fair value	-	-	20,155	20,155
Balance as of December 31, 2020	$ -	$ 990	$ 16,540	$ 17,530

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

Legal proceedings:

a. On November 3, 2016, a motion was filed for approval of a class action against Focus and seven other Israeli cannabis growers (collectively, the "Growers"), for: (1) alleged use of chemical pesticides in the cannabis growing process, in contradiction to the Plant Protection Regulations (Compliance with Packaging Label Instructions) (the "Label Regulations") and to the Protection of Public Health Regulations (Food) (Residues of Pesticides) (the "Residues Regulations"), and the misleading of their customers, thus violating the Consumer Protection Law (hereafter: the "usage of pesticides claim"); (2) selling cannabis product with lower concentration of active ingredients than publicized; and (3) marketing products in defective packaging - allegedly causing violation of autonomy and unjust enrichment. The personal suit sum for every class member stands at NIS 5,000 ($2). On January 4, 2021, the Court denied the motion, determining that the applicants had not proved an evidentiary basis for their motion.

b. 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 thousands ($261 ,000). On September 2, 2020, the Companies submitted their response to the Motion. The Companies argue in their response that the threshold conditions for approval of a class action were not met, since there is no reasonable possibility that the causes of action in the Motion will be decided in favor of the class group. On July 3, 2020, the applicant submitted his response to the Companies' response. Prehearing is set for July 14, 2021.

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

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

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

   According to the decision, Focus was attached to the proceedings and filed its response on November 12, 2019. On March 8, 2020, the court decided to extend the validity of the interim injunction, so that the medical cannabis use licenses, which were extended under the decision, would continue to be valid until May 15, 2020, or 10 days after the date the MOH comes to a conclusion regarding the price control of medical cannabis products, whichever comes first, subject to another court decision.

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

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

On October 29, 2020, the respondents represented by the State Attorney's Office filed an update notice stating that the Appeals Committee unanimously decided against imposing price controls on medical cannabis products and that the Prices Committee would hold a follow-up hearing in four months. The respondents also requested to update the Court again in two months. On November 25, 2020, the petitioner submitted their response to the respondents' updating. On March 25, 2021, the respondents represented by the State Attorney's Office filed an updating notice stating that the Prices Committee had come to a decision against imposing price controls on medical cannabis products.

However, the Prices Committee announced that it will issue an RFI to the corporations engaged in the medical cannabis market and assess the market every six months. Following the aforementioned, the respondents represented by the State Attorney's Office believe that the appeal should be rejected and the interim injunction should be canceled.

Therefore, and given the update submitted March 25, 2021, Focus' management believes, based on the opinion of its legal counsel, that it is not possible to assess the outcome of the proceeding. Therefore, no provision has been recorded in respect thereof.

d. On October 30, 2019, Focus was served with a motion for approval of a class action against it, the Medical Cannabis Unit of the IMCA, and five other companies related to the cannabis market in Israel. The motion was filed in connection to a stopping of supplies of medical cannabis by way of direct supply. The legal causes alleged in the motion are the following: discrimination in violation of the Equal Rights for Persons with Disabilities Act, 1988 and a restrictive arrangement contrary to the Economic Competition Law, 1988. The motion argues that the class action group incurred damages in the amount of NIS 656 million ($250,000). On November 2, 2021 Focus submitted a request to withdraw the motion and on March 14, 2021, the court denied the motion.

NOTE 17:- TAXES ON INCOME

a. Tax rates applicable to the Group:

1. The Company is subject to tax rates applicable in Canada. The combined federal and provincial rate for 2020 and 2019 is 26.5%.

2. The Israeli subsidiaries are subject to Israeli corporate income tax rate of 23% in 2020 and 2019.

3. The German subsidiary, Adjupharm, is subject to weighted tax rate of approximately 29% (composed of Federal and Municipal tax).

b. Tax assessments:

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

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

Adjupharm has tax assessments that are deemed final through 2009.

c. Carryforward losses for tax purposes:

Carryforward operating tax losses of the Israeli subsidiaries total approximately $3,128, as of December 31, 2020. These losses can be carried forward to future years and offset against taxable income in the future without any time limitation. Deferred tax assets of approximately $719, relating to these losses were recognized in the financial statements.

Carryforward operating tax losses of Adjupharm as of December 31, 2020, amounted to approximately $4,752. Accumulated tax losses can be carried forward without time restrictions and can be deducted from future profits and capital gains unless they exceed €1,000 thousand ($1,564). Losses carried forward that exceed €1,000 thousand ($1,564) can only be deducted to the amount of 60% of the profits or capital gains that exceed €1,000 thousand ($1,564) (minimum taxation). Those parts that cannot be deducted on the basis of the minimum taxation can be carried forward again and are subject to minimum taxation in the following years. No deferred tax assets were recorded with regards to Adjupharm.

Canadian Dollars in thousands, except share and per share data

NOTE 17:- TAXES ON INCOME (Cont.)

d. Income tax expense (benefit):

	Year ended December 31,	
	2020	2019
Current	$ 25	$ 105
Deferred, net	(66)	(93)
Income tax from previous years	303	78
	$ 262	$ 90

e. Deferred taxes:

	Statements of financial position		Statements of profit or loss	
	December 31,		Year ended December 31,	
	2020	2019	2020	2019
Deferred tax assets:				
Carryforward tax losses and other	769	306	(440)	12
	769	30 6	(440)	12
Deferred tax liabilities:				
Inventory and biological assets	1,239	805	385	(72)
Intangible assets	264	238	(11)	(33)
	1,503	1,043	374	(105)
Translation differences			63	-
Deferred tax expenses, net			$ (66)	$ (93)
Deferred tax assets (liabilities), net	$ (734)	$ (737)		

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

	December 31,	
	2020	2019
Non-current assets	$ 769	$ 89
Non-current liabilities	$ 1,503	$ 826

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

Canadian Dollars in thousands, except share and per share data

NOTE 17:- TAXES ON INCOME (Cont.)

f. Reconciliation of tax expense and the accounting profit multiplied by the Company's domestic tax rate for 2020 and 2019:

	Year ended December 31,	
	2020	2019
Income (loss) before income tax	$ (28,472)	$ (7,329)
Statutory tax rate in Canada 26.5%	(7,545)	(1,942)
Increase (decrease) in income tax due to:		
Non-deductible expenses for tax purposes	6,306	1,489
Effect of different tax rate of subsidiaries	161	104
Adjustments in respect of current income tax of previous years	303	78
Recognition of tax benefit in respect of losses of previous years	(830)	-
Unrecognized tax benefit in respect of loss for the year	1,771	315
Other adjustments	96	46
Income tax expense	$ 262	$ 90

NOTE 18:- EQUITY

a. Composition of share capital:

	December 31, 2020		December 31, 2019	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
	Number of shares			
Ordinary shares without par value	Unlimited	159,063,128	Unlimited	145,743,283

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

Canadian Dollars in thousands, except share and per share data

NOTE 18:- EQUITY (Cont.)

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

b. Changes in issued and outstanding share capital:

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

	Number of shares
Balance as at January 1, 2019	122,827,490
Issuance of shares in connection with 2019 private placement (1)	19,460,527
Issuance of shares in connection with reverse acquisition (1)	3,455,266
Balance as at December 31, 2019	145,743,283
Ordinary shares issued as a result of Warrants and Compensation options exercised (2)	12,679,075
Ordinary shares issued as a result of options exercises (c)	640,770
Balance as at December 31, 2020	159,063,128

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

NOTE 18:- EQUITY (Cont.)

(2) During the year ended December 31, 2020, the Company has received $6,378 proceeds from exercise of Warrants and Compensation options, out of which, $6,032 received for the exercise of Warrants and Compensation options issued in May through June 2018, with expiration dates between May through June 2020 (the "2018 Warrants"), and $346 received for the exercise of 2019 Warrants and Compensation options issued in August 2019, with expiration dates through August 2022.

A total of 12,351,795 Warrants were exercised, out of which 12,350,795 of 2018 Warrants, representing 92.1% of the total 2018 Warrants quantity, at a price of $0.50 per Warrant and $0.40 per Compensation option, 1,000 Warrants of 2019 Warrants, representing 0.02% of the total 2019 Warrants quantity, at a price of $1.3 per Warrant .

In addition, 327,280 of 2019 Compensation options, representing 27.7% of the total 2019 Compensation options quantity, were exercised at a price of $1.05 per Compensation option.

The Warrants which were accounted for as a liability were revalued to their fair value immediately prior to their exercise. The revaluation of the exercised Warrants in the amount of $3,874 was recorded as finance expense (income). The carrying amount of the liability was reclassified to equity upon exercise of the Warrants. The unexercised 2018 Warrants and Compensation options expired.

c. Share option plan:

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

In August 2019, as part of the RTO, the Company updated the 2018 plan and set the total Ordinary shares reserved for issuance to a maximum of 10% of the Ordinary shares issued and outstanding. As of December 31, 2020, a maximum of 15,906,312 Ordinary shares are reserved for issuance.

Awards granted under the 2018 Plan are subject to vesting schedules and unless determined otherwise by the administrator of the 2018 Plan, generally vest following a period of three years from the applicable vesting commencement date, such that 33.3% of the awards vest on the first anniversary of the applicable vesting commencement date and 66.7% of the awards vest in eight equal installments upon the lapse of each three-month period thereafter. Subject to the discretion of the 2018 Plan administrator, if an award has not been exercised within seven years after the date of the grant, the award expires. As of December 31, 2020, 2,646,060 Ordinary shares are available for future grants under the 2018 plan.

Canadian Dollars in thousands, except share and per share data

NOTE 18:- EQUITY (Cont.)

The fair value for options granted during the years ended December 31, 2020 and 2019, to the Group's employees, directors and advisors was estimated using the Black & Scholes option pricing model with the following assumptions:

	Year ended December 31,	
	2020	2019
Exercise price (in CAD)	$0.4 - $2.14	$0.4
Dividend yield (%)	-	-
Expected life of share options (Years)	2.77 - 9	4.7-10
Volatility (%)	74.8 - 80.39	79
Annual risk-free rate (%)	0.25 - 0.37	1.18-1.78
Share price (in CAD)	$0.37 - $2.14	$0.34

The weighted average fair value of each option on the grant date amounted to $0.503

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

	Year ended December 31, 2020	
	Number of options	Weighted average exercise price in CAD
Options outstanding at the beginning of the year	11,760,000	0.40
Options granted during the year *)	3,620,000	1.06
Options exercised during the year	(640,770)	0.45
Options forfeited during the year	(2,119,748)	0.45
Options outstanding at the end of year	12,619,482	0.55
Options exercisable at the end of year	5,315,079	0.45

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

Canadian Dollars in thousands, except share and per share data

NOTE 18:- EQUITY (Cont.)

*) Includes 8,895,000 and 5,110,000 options granted to key management personnel as for December 31, 2020, and 2019, respectively.

The weighted average remaining contractual life for the share options outstanding as of December 31, 2020, and 2019 was 7.32 and 9.18 years respectively.

The share-based payment expenses for the year ended December 31, 2020 and 2019, amounted to $3,382 and $2,677, respectively.

d. Other convertible securities:

As of December 31, 2020, there are 842,046, 2019 Compensation Units (see Note 15b) Options to acquire Compensation Units at a price of $1.05 per unit. Each Compensation Unit consists of one IMCC Ordinary Share and one half IMCC Warrant, with each whole IMCC Warrant exercisable for one IMC Ordinary Share at an exercise price of $1.3. These Units are exercisable at any time until August 2022.

NOTE 19:- SELECTED STATEMENTS OF PROFIT OR LOSS DATA

	Year ended December 31,	
	2020	2019
Salaries and related expenses	$ 6,897	$ 3,867
Depreciation and amortization	$ 930	$ 601

Geographical information:

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

	Year ended December 31,	
	2020	2019
Israel	$ 13,826	$ 8,420
Germany	2,064	654
Total	$ 15,890	$ 9,074

The carrying amounts of non-current assets (property, plant and equipment, goodwill, intangible assets and right-of-use asset, net) in the country of the company and its subsidiaries, based on the location of the assets are as follows:

	Year ended December 31,	
	2020	2019
Israel	$ 4,742	$ 3 ,263
Germany	3,121	2,339
Total	$ 7,863	$ 5,602

NOTE 20:- NET EARNINGS (LOSS) PER SHARE

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

	Year ended December 31,			
	2020		2019	
	Weighted number of shares (in thousands)	Net loss attributable to equity holders of the Company	Weighted number of shares (in thousands)	Net loss attributable to equity holders of the Company
For the computation of basic net earnings	38,565	$ (28,698)	31,978	$ (7,292)
Effect of potential dilutive Ordinary shares	-	-	-	-
For the computation of diluted net earnings	38,565	$ (28,698)	31,978	$ (7,292)

*) For 2020, and 2019, all potentially dilutive securities (Warrants and share options) were excluded from the calculation of diluted earnings per share as they are antidilutive. Including the effect of Share Consolidation (See Note 18a).

NOTE 21:- RELATED PARTY BALANCES AND TRANSACTIONS

a. Balances and transactions:

The following table summarizes balances with related parties in the statements of financial position:

	December 31,	
	2020	2019
Other accounts receivables	$ 36	$ 64

The following table summarizes the transactions with related parties in the consolidated statements of profit or loss and other comprehensive income:

	Year ended December 31,	
	2020	2019
General and administrative expenses	$ 617	$ 464

Canadian Dollars in thousands, except share and per share data

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

NOTE 21:- RELATED PARTY BALANCES AND TRANSACTIONS (Cont.)

b. Compensation of key management personnel of the Group:

	Year ended December 31,	
	2020	2019
Payroll and related expenses	$ 2,005	$ 1,537
Share-based compensation	$ 2,791	$ 812
Professional fees *)	$ 1,391	$ 359

*) Includes payments to shareholders for the years ended 2020 and 2019 of $534 and $359, respectively.

NOTE 22:- SUMMARIZED FINANCIAL INFORMATION FOR PARTLY OWNED SUBSIDIARY

Summarized financial information for Focus as follows:

	December 31,	
	2020	2019
Statement of financial position at reporting date (as presented in Focus' financial statements):		
Current assets	$ 16,531	$ 7,723
Non-current assets	4,226	3 ,02 7
Current liabilities	(11,341)	(3,2 47)
Non-current liabilities	(2,274)	(1,853)
Total equity	$ 7,142	$ 5,650

	Year ended December 31,	
	2020	2019
Operating results (as presented in Focus' financial statements):		
Revenues	$ 13,823	$ 8,421
Net income (loss)	968	(324)
Other comprehensive income	(22)	(29)
Total comprehensive income (loss)	$ 946	$ (353)

Canadian Dollars in thousands, except share and per share data

NOTE 22:- SUMMARIZED FINANCIAL INFORMATION FOR PARTLY OWNED SUBSIDIARY (Cont.)

	Year ended December 31,	
	2020	2019
Cash flows (as presented in Focus' financial statements):		
From operating activities	$ 1,882	$ 2,357
From investing activities	(1,656)	(1,308)
From financing activities	(184)	(129)
Effect of foreign exchange on cash and cash equivalents	39	10
Net increase (decrease) in cash and cash equivalents	$ 81	$ 930

NOTE 23:- SUBSEQUENT EVENTS

1. 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 flower into Israel to be sold under the IMC brand. The import of the Canadian-grown high-THC strains from GTEC's subsidiary, Grey Bruce Farms Incorporated ("GBF"), is expected to commence in the second quarter of 2021, subject to fulfilling all regulatory requirements in relation to such import, including compliance with Israeli Ministry of Health regulations and receipt of a valid export license from Health Canada. According to the GTEC Agreement, Focus will purchase a minimum quantity of 500Kg of high-THC medical cannabis flower 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.

2. On March 18, 2021, the Company closed the acquisition of Trichome Financial Corp. ("Trichome") following an arrangement agreement with Trichome dated December 30, 2020 (the "Arrangement Agreement") pursuant to which, the Company acquired all of the issued and outstanding shares of Trichome (the "Trichome Shares") by way of a statutory plan of arrangement under the Business Corporations Act (Ontario) (the "Trichome Transaction"). 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 an Ordinary shares 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 Ordinary shares, at price per share of $9.8, were issued to the Trichome securityholders, resulting in former Trichome securityholders holding approximately 20.06% of the total number of issued and outstanding Ordinary shares immediately after closing. In addition, 100,916 Ordinary shares, at price per share of $9.8, were issued to financial advisors for advisory fees in connection with the Trichome Transaction.

NOTE 23:- SUBSEQUENT EVENTS (Cont.)

3. 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.

4. On March 30, 2021, the Company filed in Canada a base shelf prospectus (the "Prospectus") which relates to the offering for sale from time to time (each, an "Offering"), during the 25-month period that the Prospectus, including any amendments hereto, remains effective, of the securities of the Company, with a total offering price of such Securities, in the aggregate, of up to US$250,000 thousand (or the equivalent thereof in other currencies).

5. On March 31, 2021, the Company entered into an arrangement agreement with Acquire MYM Nutraceuticals and its licensed producer subsidiary, Highland Grow (the "MYM Arrangement Agreement") pursuant to which, and subject to the terms and conditions of the MYM Arrangement Agreement, the Company had agreed to acquire all of the issued and outstanding shares of MYM Nutraceuticals (the "MYM's Shares") by way of a statutory plan of arrangement under the Business Corporations Act (Ontario) (the "MYM Transaction").

   Under the terms of the MYM Transaction, the shareholders of MYM will receive 0.022 Ordinary shares of the Company for each common share of MYM (the "Consideration").

- - - - - - - - - - -

IM Cannabis Corp.

Management's Discussion and Analysis

For the Year and Three Months Ended December 31, 2020

April 23, 2021

IM Cannabis Corp.

Management's Discussion and Analysis

For the Year and Three Months Ended December 31, 2020 and 2019

This Management's Discussion and Analysis ("MD&A") reports on the consolidated financial condition and operating results of IM Cannabis Corp. (the "Company" or "IMCC") for the year and three months ended December 31, 2020 and 2019. 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 audited consolidated financial statements of the Company and notes thereto for the year ended December 31, 2020 (the "Annual Financial Statements").

The Annual Financial Statements have been prepared by management in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the amount of revenue and expenses incurred during the reporting period. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods.

The Annual 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

All intercompany balances and transactions were eliminated on consolidation.

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

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A may contain "forward-looking 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.

Without limitation, this MD&A contains forward-looking statements pertaining to:

- the future product portfolios of the Company and its subsidiaries;
- the growth of the medical cannabis market in the jurisdictions in which the Company operates;
- the anticipated decriminalization of recreational cannabis in Israel;
- the intentions of management of the Company; and
- contractual obligations and commitments.

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

- the anticipated increase in demand for medical and recreational cannabis in the markets in which the Company operates;
- the Company's satisfaction of international demand for its products;
- future cannabis pricing;
- cannabis production yields; and
- its ability to market the IMC, JWC and Wagners brands and services successfully to its anticipated clients.

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

- the ability of the Company to receive, in a timely manner, the necessary regulatory, court, securityholder, stock exchange and other third-party approvals to consummate its transaction with MYM Nutraceuticals Inc. ("MYM") (the "MYM Transaction");
- the ability of the Company to satisfy, in a timely manner, the other conditions to the closing of the MYM Transaction;
- the ability to complete the MYM Transaction on the terms contemplated by the arrangement agreement and other agreements, including the support agreements or at all;

- the ability of the Company, following the completion of the MYM Transaction, to realize the anticipated benefits of the MYM Transaction and the timing thereof;
- the consequences of not completing the MYM Transaction, including the volatility of the share prices of the Company and MYM, negative reactions from the investment community and the required payment of certain costs related to the MYM Transaction;
- actions taken by government entities or others seeking to prevent or alter the terms of the MYM Transaction;
- potential undisclosed liabilities of MYM unidentified during the due diligence process;
- the interpretation of the MYM Transaction by tax authorities;
- the focus of management's time and attention on the MYM Transaction and other disruptions arising from the MYM Transaction;
- unexpected disruptions to the operations and businesses of the Company and/or Focus as a result of the COVID-19 global pandemic or other disease outbreaks including a resurgence in the cases of COVID-19;
- the Company's inability to capture the benefits associated with its acquisition of Trichome Financial Inc. ("Trichome");
- the Company's ability to continue to meet the listing requirements of the Canadian Securities Exchange ("CSE") and NASDAQ;
- the Israeli government deciding to delay or abandon the decriminalization of recreational cannabis;
- the bill relating to the decriminalization of recreational cannabis in Israel being rejected by the Israeli parliament;
- any change in the political environment which would negatively affect the decriminalization of recreational cannabis in Israel;
- the failure of the Company to comply with applicable regulatory requirements in a highly regulated industry;
- any failure of the Company to maintain "de facto" control over Focus in accordance with IFRS 10;
- the failure of Focus to renew its cultivation license with the Israeli Ministry of Health (the "MOH");
- regulatory authorities in Israel viewing the Company as the deemed owner of more than 5% of Focus in contravention of Israeli regulations;
- unexpected changes in governmental policies and regulations affecting the production, distribution, manufacture or use of medial cannabis in Israel, Germany, Canada, Portugal, Greece, Holland or any foreign jurisdictions in which the Company intends to operate;
- the impact of increasing competition;
- inconsistent public opinion and perception regarding the use of cannabis;
- engaging in activities considered illegal under US federal law;
- political instability and conflict in the Middle East;
- adverse market conditions;
- unexpected business disruptions due to COVID-19 novel coronavirus ("COVID-19") and other disease outbreaks;
- the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses;
- currency fluctuations;
- the costs of inputs;
- reliance on management; and

- the loss of key management and/or employees.

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

FINANCIAL OUTLOOK

The forward-looking information in this MD&A contain statements in respect of estimated revenues. The Company and its management believe that the estimated revenues are reasonable as of the date hereof and are based on management's current views, strategies, expectations, assumptions and forecasts, and have been calculated using accounting policies that are generally consistent with the Company's current accounting policies. These estimates are considered financial outlooks under applicable securities 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.

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." The Company historically engaged in mineral resource exploration activities but ceased operations in March 2018 to focus on identifying and evaluating new business opportunities. 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. As a result of the Reverse Takeover Transaction, the Company changed its business from mining to the international medical cannabis industry.

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

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 a license from the MOH to propagate and cultivate medical cannabis in the State of Israel, valid until January 3, 2022 (the "Focus License"). Focus is one of the eight medical cannabis producers initially licensed by Israeli regulatory authorities and has over 10 years of experience in growing high quality medical cannabis products for the Israeli market.

As part of its core Israeli business, the Company offers intellectual property-related services to the medical cannabis industry based on proprietary processes and technologies it developed for the production of medical cannabis products. The Company offers its intellectual property and consulting services to Focus pursuant to 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.

In Europe, IMCC operates through Adjupharm, a German-based subsidiary acquired by IMC Holdings on March 15, 2019, and 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 (the "Adjupharm Licenses"). Adjupharm serves as the Company's flagship European outpost for sales and distribution.

Adjupharm currently manufactures and distributes IMC-branded medical cannabis products, in addition to other branded medical cannabis products, to pharmacies and distribution partners in Germany pursuant to sales and distribution agreements. Similar to Focus, Adjupharm sources its medical cannabis products from strategic partners, including various pan-European EU-GMP suppliers. While the Company does not currently distribute products in other European countries other than in Germany, the Company intends to leverage the 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.

In Canada, since March 18, 2021 IMCC operates through Trichome, a Canadian-based subsidiary, and Trichome JWC Acquisition Corp. ("TJAC") d/b/a JWC, a wholly-owned subsidiary of Trichome and Canadian federally licensed producer of cannabis products in the adult-use recreational cannabis market in Canada.

IMCC is focused on further implementing an aggressive and accretive acquisition strategy focusing on attractively valued and highly synergistic targets in Canada. The consolidated revenues of the Group for the twelve months ended December 31, 2020, was generated mainly from the sale of medical cannabis products in Israel and Germany, by Focus and Adjupharm, respectively. The Group does not engage in any U.S. cannabis-related activities as defined in Canadian Securities Administrators Staff Notice 51-352 (Revised) - Issuers with U.S. Marijuana-Related Activities.

As of December 31, 2020, the Company's major Israeli assets include the Commercial Agreements and the Focus Agreement, as well as holdings in Xinteza API Ltd. ("Xinteza").

As of December 31, 2020, the Company's major international assets include material holdings in Adjupharm, a fully licensed medical cannabis distribution company in Germany and a 25% interest in a cultivation joint venture in Greece.

Neither the Company nor any of its subsidiaries currently hold, directly or indirectly, any licenses to engage in the propagation, cultivation, production, processing, distribution or sale of medical cannabis products in Israel as required by local legislation. However, under IFRS 10, the Company is required to consolidate the results of Focus, a licensed propagator and cultivator of medical cannabis products under the current Israeli regulatory regime. Focus operates under the regulations of medical cannabis products by the MOH through the IMCA to propagate and cultivate medical cannabis products in Israel. As such, all financial information in this MD&A is presented on a consolidated basis reflecting the results of the Group. All of Focus' operations are performed pursuant to the Dangerous Drugs Ordinance and the related regulations issued by IMCA. While IMCC does not hold any of the Israeli licenses mentioned above and does not own Focus, it derives a significant portion of its consolidated revenues from Focus' revenue, which is primarily earned from the medical cannabis sales agreements that Focus has with various pharmacies in Israel. Furthermore, the Company has an option under the Focus Agreement to re-acquire 74% ownership of Focus. For more information, please see at the Risk Factors section below.

Company Products

'IMC' is a well-known medical cannabis brand in Israel. Leveraging its long-term success in the Israeli market, the Company launched the brand in Germany in 2020. The Company believes that the IMC brand in Israel has become synonymous with quality and consistency in the Israeli medical cannabis market and it was chosen as one of the four top favourite brands in Israel.[1]

1 According to a survey carried out by Cannabis Magazine among 519 patients licensed by the MOH to consume medical cannabis (Aug2020, Israel).

In association with Focus, the Company maintains a brand portfolio that includes popular medical cannabis inflorescences such as Roma, Dairy Queen, London, Tel Aviv and Pandora Box, as well as full-spectrum cannabis extracts.

'Roma' is marketed as an elegant strain that is known for its strong impact and influence. Roma was chosen as one of the most favored strains in Israel.[2] 'Tel-Aviv' is marketed as sativa dominated strain that is known for uplifting the spirit and enhancing creativity. Both Roma and Tel-Aviv contain THC, CBD, and CBN within the following ranges: 16-24% (THC), 0-7% (CBD), and CBN lower than 1.5%.

'London' is marketed as a distinct indica, which stands out due to its flavor and strong influence. 'Dairy Queen' is marketed as a rich, velvety strain with a cherry aroma that may assist with reducing stress and producing calmness. 'Pandora Box' is marketed as a sativa dominate strain, which confers a sense of spirit uplifting, energy and vitality. London, Dairy Queen, and Pandora Box contain THC, CBD, and CBN within the following ranges: 11-19% (THC), 0-5.5% (CBD), and CBN lower than 1.5%.

All of the products are tested in certified labs according to MOH standards and certified before being packaged and labelled with detailed information about the THC, CBD and CBN content of each product.[3]

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

In Canada, commencing March 18, 2021, following completion of the Trichome Transaction (as defined below), the Company's product portfolio consists of primarily dried inflorescence, pre-rolled cannabis, pressed hash and kief offerings sold by TJAC under the JWC Brand into the Canadian adult use recreational cannabis market. Dried inflorescence is sold primarily in 3.5 gram, 14 gram and 28 gram formats, all pre-rolls were sold in a 3 x 0.5 gram format and both hash and kief sold in 1 gram and 2 gram formats.

In 2021, TJAC will continue to offer its existing product portfolio and plans to introduce additional offerings in the form of new dried inflorescence strains, new packaging formats and a rebranding of its dried inflorescence, pre-rolled cannabis, hash and kief products under the company's recently launched Wagners brand. The Company is focused on diversifying its product portfolio, mainly with premium and super premium branded cannabis products both is Israel, in association with Focus, and in the European market through Adjupharm.

_____

2 According to a survey carried out by Cannabis Magazine among 519 patients licensed by the MOH to consume medical cannabis (Aug2020, Israel).

3 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, CBD and CBN 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.

Corporate Developments

(i) Corporate Restructuring and Canadian Liquidity Events

In June 2018, the Company announced the entering into a letter of intent with IMC Holdings pursuant to which IMC Holdings would complete a reverse takeover of the Company and a change of business of the Company from mining to the medical cannabis industry (the "Reverse Takeover Transaction"). In November 2018, the Company and IMC Holdings announced the entering into of a definitive business combination agreement whereby the reverse takeover would be completed by way of a three-cornered amalgamation involving the parties and a wholly-owned subsidiary of the Company, Navasota Acquisition Ltd. ("Navasota Subco"). On September 3, 2019, IMC Holdings, Navasota and Navasota Subco amended and restated the business combination agreement which superseded the previous agreement signed in November 2018.

On August 30, 2019, Navasota and IMC Holdings announced the completion of a private placement offering of 19,460 ,527 subscription receipts (each a "Subscription Receipt") of a wholly-owned subsidiary of Navasota ("Finco") at a price of $1.05 per Subscription Receipt for aggregate gross proceeds of $20,433 (the "Financing") pursuant to the terms of the Reverse Takeover Transaction. Upon the satisfaction or waiver of, among other things, all of the condition precedents to the completion of the Reverse Takeover Transaction, each Subscription Receipt was exchanged for one unit of Finco (a "Finco Unit") with each Finco Unit being comprised of one (1) common share of Finco (a "Finco Share") and one-half (1/2) of one (1) common share purchase warrant of Finco (a "Finco Warrant"). Each whole Finco Warrant was exercisable for one Finco Share at an exercise price of $1.30 for a period of 24 months following the closing of the Reverse Takeover Transaction. Upon closing of the Reverse Takeover Transaction, the Finco Shares and Finco Warrants were exchanged for Common Shares and IMCC warrants ("Warrants") on economically equivalent terms on a 1:1 basis.

The Warrants included in each 2019 Compensation Option were determined to be a financial derivative and accordingly were classified as financial liability measured at fair value through profit or loss. Accordingly, the Company allocated the gross proceeds received to the securities issued in the 2019 Compensation Options, such that proceeds allocated to the Warrants component based on their fair value on the date of the placements amounted to $2,597 and proceeds allocated to the Common Shares were determined to be the residual amount of $17,836.

In addition, IMC Holdings granted to the Agents options to acquire 1,199,326 compensation units (the "2019 Compensation Units") at an exercise price of $1.05 per 2019 Compensation Unit. Upon the Reverse Takeover Transaction, the Compensation Units were exchanged for compensation options of the Company (the "2019 Compensation Options"). Prior to the Share Consolidation, each 2019 Compensation Unit consisted of one Common Share and one half Warrant with each whole Warrant exercisable for one Common Share at an exercise price of $1.30 for 36 months following the issuance.

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

Pursuant to the terms of the Reverse Takeover Transaction, on October 4, 2019, Navasota completed a consolidation of its common shares on 2.83:1 basis and changed its name to "IM Cannabis Corp.". On October 11, 2019, the Reverse Takeover Transaction was completed, which included the merger of IMC Holdings and Navasota Subco under Israeli laws and the resulting amalgamated entity becoming a wholly-owned subsidiary of IMCC. Upon the completion of the Reverse Takeover Transaction, the former holders of IMC Holdings ordinary shares (the "IMC Ordinary Shares") held approximately 84.28% of the issued and outstanding Common Shares, the previous holders of Subscription Receipts held approximately 13.35% of the Common Shares and the previous holders of Navasota shares held 2.37% 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".

In June 2020, the Company received $6,032 proceeds from the exercise of Warrants (the "2018 Warrants") and compensation options of the Company (the "2018 Compensation Options" and together with the 2018 Warrants, the "2018 Warrants and Compensation Options"), which were issued in May through June, 2018, with expiration dates between May through June, 2020. A total of 12,350,795 of the 2018 Warrants and Compensation Options were exercised, representing 92.1% of the total quantity of the 2018 Warrants and Compensation Options, at a price of $0.50 per Warrant and $0.40 per 2018 Compensation Option. The 2018 Warrants, which were accounted for as a liability, were revalued to their fair value immediately prior to their exercise. A revaluation in the amount of $3,675 was recorded as finance expenses. The carrying amount of the liability was reclassified to equity upon the exercises of the 2018 Warrants. The unexercised 2018 Warrants and Compensation Options have since expired.

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 Warrants outstanding was not altered; however, the exercise terms were adjusted such that four Warrants are exercisable for one Common Share following the payment of an adjusted exercise price of $5.20. The consolidated financial statements give effect to the Share Consolidation for all periods presented.

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

As of December 31, 2020 and 2019, there were nil and 11,413,750 (after effect of split 1:10 in IMC Holdings) 2018 Warrants outstanding, respectively, with fair value in the amount of $nil and $197, respectively. For the years ended December 31, 2020 and 2019, the Company recognized a revaluation loss (gain) of $3,675 and ($856), respectively, in the consolidated statement of profit or loss and other comprehensive income, in which the unrealized gain is included in finance income (expense).

As of December 31, 2020 and 2019, there were 9,729,264 and 9,730,264, respectively, Warrants outstanding issued in connection with the 2019 Private Placements, respectively, and the Company re-measured the Warrants, according to their trading price in the market, in the amount of $16,540 and $nil, respectively. As a result, for the years ended December 31, 2020 and 2019, the Company recognized a revaluation loss (gain) of $16,283 and ($2,597), respectively, in the consolidated statement of profit or loss and other comprehensive income, in which the unrealized gain is included in finance income (expense).

In addition, as of December 31, 2020 and 2019, there were nil and 706,713 Warrants outstanding, respectively, from the issuance to certain Navasota shareholders in the Reverse Takeover Transaction. During 2020, a total of 113,520 Warrants were exercised for Common Shares at an exercise price of $0.283, and the remaining Warrants issued to Navasota shareholders expired on April 13, 2020.

During the year ended December 31, 2020, a total of 1,000 Warrants issued in connection with the 2019 Private Placements were exercised at an exercise price of $1.30 per Warrant. As a result, the Company received a total amount of $1, at a price of $1.30 per 2019 Warrant.

During the year ended December 31, 2020, a total of 327,780 Compensation Options were converted to 327,780 Common Shares and 163,890 Warrants. Consequently, the Company received a total amount of $344.

(ii) Restructuring

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

IMC Holdings retains an option with Messrs. Shuster and Gabay to re-acquire the sold interest in Focus at its sole discretion and in accordance with Israeli cannabis regulations, within 10 years of the date of the IMC Restructuring (the "Focus Agreement"). The Focus Agreement sets an aggregate exercise price equal to NIS 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, IMCC is still viewed as effectively exercising control over Focus, and therefore, the accounts of Focus continue to be consolidated with those of the Company.

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

(iii) 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 MOH issued an updated procedure, titled "Guidelines for Approval of Applications for Importation of Dangerous Drug of Cannabis Type for Medical Use and for Research" ("Procedure 109"), describing the application requirements for cannabis import licenses for medical and research purposes. According to Procedure 109, the following permits and licenses are required to receive a cannabis import license: (1) License to possess medical cannabis and operate in the medical cannabis industry; (2) License to import plant material; (3) Permit to import narcotic drugs; and (4) License to import a dangerous drug.

Medical Cannabis Exports

In October 2020, the MOH launched a new pilot program under which medical cannabis producers would be authorized to export medical cannabis products, subject to the requirement that certain products be made available at a fixed price of NIS 14 per gram to patients in Israel over the age of 21 and NIS 10 per gram to patients under the age of 21 (the "Pilot Program"). Each participating company would decide the selection of medical cannabis products made available under the Pilot Program. The Pilot Program was planned for an initial period of three months and was extended in January 2021. As products bearing the IMC brand are offered as part of the Pilot Program, IMC-branded products are eligible for immediate application for export permits.

In December 2020, the IMCA published guidelines for the medical cannabis export permit application process[4] (the "Export Guidelines"), pursuant to which an export permit will only be granted to an applicant if (i) sufficient domestic supply has been secured by such applicant in the variety and quantity that will meet the Israeli level of demand; (ii) the delivery of medical cannabis is made from approved sites; (iii) the applicant has a valid IMC-GDP certification and business license from the IMCA; and (iv) an import permit from the importing country is obtained and attached to the export application. The term to apply for export permits under the program, according to the Export Guidelines, were set to expire at the end of Q1 2021. Further extensions are considered by the IMCA based on the success of the Pilot Program.

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 general elections were scheduled for March 2021. All such legislative initiatives were suspended and there is no certainty regarding their renewal following a formation of a new government pursuant to the March 2021 elections.

(iv) Israeli Market

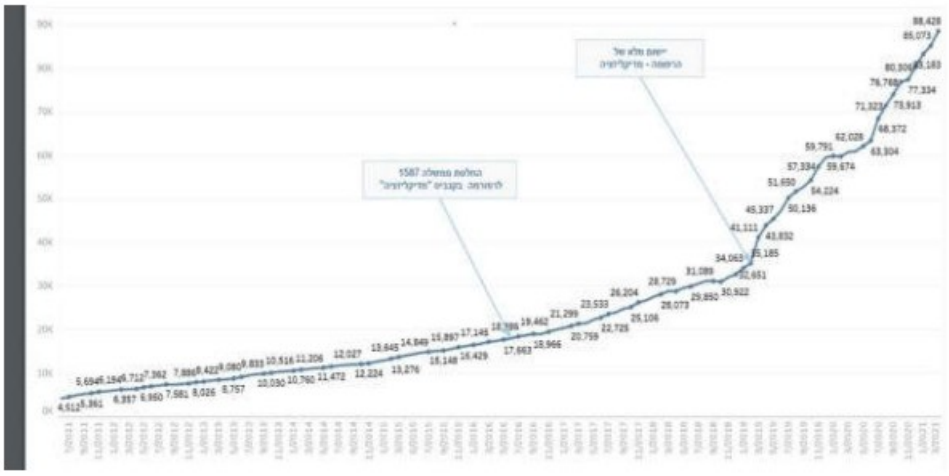
The Israeli medical cannabis market has shown dramatic growth over the past several years. It is projected that this growth will continue and according to MOH estimates, the number of patients in Israel licensed by the MOH to consume medical cannabis is expected to reach 120,000by the end of 2021.

Israeli Market Development 2011-2021

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

According to MOH monthly publication, as of March 2021, there are 88,428 licensed patients in Israel, and a monthly prescription of 2,848,000 and 3,190,000 grams of cannabis were recorded in December 2020 and March 2021, respectively.[5]

The below reflects the number of licensed medical cannabis patients in Israel over the year 2011 to March 2021:



(v) European Activity

The Company's European strategy is centered in Germany, whose medical cannabis market is currently considered the largest in Europe[6] To develop its operations in Germany, on March 15, 2019, the Company acquired, through IMC Holdings, 100% of the shares of Adjupharm (the "Adjupharm Shares"), a licensed EU-GMP certified medical cannabis distributor. IMC Holdings acquired the Adjupharm shares for €924 (approximately $1,400) with additional obligations to the sellers including repayment of bank loans of up to €680 (approximately $1,030). These bank loans were repaid by IMC Holdings in May 2019. The Company, through IMC Holdings, currently owns 92.5% of Adjupharm, with the balance owned by Adjupharm's Chief Executive Officer. An additional 2.48% ownership stake in Adjupharm will be granted to Adjupharm's Chief Executive Officer once entitled, pursuant to the terms of his employment agreement.

The Company continues to develop Adjupharm as its European hub and to expand its presence in the German market by forging partnerships with pharmacies and distributors across the country. Led by Adjupharm's Chief Executive Officer MR. Richard Balla, the Company's objective is to capture a significant market share in Germany by working directly with distributors to increase market reach for products bearing the IMC brand. The Company currently has approximately 3,200 square feet of warehousing and GMP Standard production capacity in Germany and is in process to expand its facilities by an additional 3,200 square feet. Adjupharm sources its supply of medical cannabis for the German market from EU-GMP certified suppliers.

5 https://www.health.gov.il/Subjects/cannabis/Documents/licenses-status-march-2021.pdf
6 Health Europa, June 23, 2020. https://www.healtheuropa.eu/exploring-growth-in-the-european-medical-cannabis-market/100849/

Adjupharm relies on its sales and distribution agreements to supply and distribute IMC-branded products to distribution partners in Germany, which are then distributed to German pharmacies. There are approximately 19,000 community pharmacies in Germany, each of which is permitted to create and dispense medications, including medical cannabis, pursuant to physician prescriptions.[7] Adjupharm recently completed the expansion of its internal and external sales department and is focused on increasing physician awareness and engagement to drive sales of IMC-branded medical cannabis products. The competitive advantage in Germany lies in the Group's track record and brand reputation in Israel and proprietary data supporting the effectiveness of medical cannabis for the treatment of a variety of conditions.

The Company is actively seeking additional cultivation partners to diversify its sources of supply of premium and super premium cannabis products and further develop its European presence.

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.

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. In light of the uncertainty related to COVID-19, the Company will examine the continued demand of the German market for such test kits prior to any further engagement relating thereto. For more information, please see *"Subsequent Events"*.

(vi) 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 $2,223, according to the December 24, 2019 exchange rate published by the Bank of Canada) paid in several installments (the "Xinteza SPA"). As of December 31, 2020, the Company has paid all outstanding installments pertaining to the Xinteza SPA and holds 24.2% of the outstanding share capital of Xinteza on an as-converted and fully diluted basis.

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

7 Federal Union of German Associations of Pharmacists: Figures Data Facts 2020.

(vii) Strategic Developments:

1. On January 23, 2020, IMC Holdings entered into definitive agreements to establish a medical cannabis cultivation and processing joint venture in Greece with Galen Industries Single Member Societe Anonyme ("Galen"), a Greek company established by a consortium of investors in Greece with extensive experience in the pharmaceutical, media, finance and energy sectors. As a result of these agreements, IMC Holdings acquired ownership of 25% of the paid-up capital of Shiran Single Member Societe Anonyme ("Shiran") a private company incorporated and registered in Greece and originally wholly-owned by Galen, while the remaining 75% remained under the ownership of Galen. Under the agreements, each party is committed to fund the initial capital expenditures, totaling approximately up to EUR 8,000,000 for the construction of an EU-GMP certified cultivation and processing facility in Greece.

   Also on January 23, 2020, Shiran, Galen and IMC Holdings signed a preferred supply agreement (the "Galen Supply Agreement"). Under the Galen Supply Agreement, IMC Holdings has the right to purchase up to 25% of the total production of Shiran at a preferred price as determined therein, for an initial period of five years. As of the date of this MD&A, no material capital expenditures have been made towards Shiran given the uncertainty relating to COVID-19. The Company is deferring any further investment into Greece indefinitely.

2. On March 23, 2020, Focus signed a supply agreement (the "Intelicanna Supply Agreement") with Intelicanna Ltd. ("Intelicanna") for the purchase by Focus of a minimum of 500kg and up to 1,000kg of medical cannabis cultivated by Intelicanna. Additional purchases may be made by Focus under the Intelicanna Supply Agreement without a change to the contracted price paid to Intelicanna. The finished products are to be sold to pharmacies in Israel under the IMC brand. The Intelicanna Supply Agreement is in effect for a term of 12 months from the date of the first planting in Intelicanna's facility. Intelicanna has received access to certain Focus unique and proprietary genetics for the sole purpose of delivering product under the Intelicanna Supply Agreement; however, the genetics remain the exclusive property of Focus. Under the Intelicanna Supply Agreement, Intelicanna is responsible for all production activities under Focus' supervision and quality control practices throughout the growing process at Intelicanna's site.

3. On March 30, 2020, Focus signed a binding three-year sales agreement for the sale of IMC-branded medical cannabis products (the "March 2020 Pharmacy Sales Agreement") to three pharmacies in Jerusalem operating under the Oranim Pharm and Medi Plus banners. Pursuant to the March 2020 Pharmacy Sales Agreement, Focus is to supply such pharmacies with a total of 800kg of medical cannabis products annually for a period of three years, commencing in 2021, for an aggregate amount of 2,400kg of medical cannabis products at a contracted price.

4. On March 31, 2020, Focus signed a supply agreement with Way of Life Ltd., an IMC-GAP certified cultivator ("Way of Life"), and Cannation Ltd., an IMC-GAP applicant ("Cannation", and together with Way of Life, the "Suppliers") to purchase a total of approximately 2,600kg of medical cannabis per year for an aggregate amount of up to 7,800kg of medical cannabis products over three years. Of the aggregate amount to be supplied under the agreement, delivery of 6,200kg was contingent upon Cannation receiving its IMC-GAP certification. All finished products produced from the medical cannabis supplied under such supply agreement will be sold under the IMC brand to pharmacies in Israel. Under the supply agreement, the Suppliers obtained access to certain Focus unique and proprietary genetics for the sole purpose of cultivating and delivering medical cannabis; however, the genetics would remain the exclusive property of Focus. In addition, Focus received access to the Suppliers' growing facilities to monitor the entire growing process. As Focus has secured the necessary supply to fulfill its delivery obligations under its pharmacy sales agreements and support its Israeli operations, and following the expiration of the milestone for Cannation to obtain IMC-GAP certification, the supply agreement with Cannation was terminated on November 24, 2020.

5. On April 2, 2020, the Company announced that Adjupharm had received the necessary approvals from regulatory authorities to begin imports and sales of medical cannabis products under the IMC brand to German patients.

6. On April 6, 2020, Focus signed a binding two-year sales agreement for the sale of medical cannabis products under the IMC brand with Shor Tabachnik pharmacies ("Tabachnik") (the "Tabachnik Sales Agreement"). According to the Tabachnik Sales Agreement, Focus will sell to Tabachnik 1,000kg of medical cannabis products under the IMC brand annually for the duration of the Tabachnik Sales Agreement at an agreed upon price beginning in 2021.

7. On April 13, 2020, Focus signed a binding three-year agreement for the sale of 13,575kg of medical cannabis products under the IMC brand to Super-Pharm (Israel) Ltd. ("Super-Pharm"), the largest pharmacy chain in Israel (the "SP Sales Agreement"). According to the SP Sales Agreement, Focus will sell to Super-Pharm a total of 13,575kg of medical cannabis products under the IMC brand over the next three years. Medical cannabis products sold under the SP Sales Agreement will include both inflorescence and extract products at an agreed upon price.

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

9. On April 14, 2020, Focus signed an agreement for the sale of up to 1,500kg of medical cannabis products under the IMC brand to Max Pharm Ltd. ("Max Pharm") over a three-year period (the "MP Sales Agreement"). Under the MP Sales Agreement, Focus will sell to Max Pharm a total of 500kg of medical cannabis products under the IMC brand annually at an agreed upon price beginning in 2021. Max Pharm has an option to purchase an additional 500kg of medical cannabis products from Focus in each of 2021, 2022 and 2023, for a total volume of up to 3,000kg over three years.

10. On April 21, 2020, Focus signed a binding three-year agreement for the sale of 12,600kg of medical cannabis products under the IMC brand to PharmYarok Ltd. ("PharmYarok") (the "PY Sales Agreement"). According to the PY Sales Agreement, Focus will sell to PharmYarok a total of 12,600kg of medical cannabis products under the IMC brand between 2021 and 2023 at an agreed upon price, subject to PharmYarok meeting certain regulatory requirements. Medical cannabis products sold under the PY Sales Agreement may include both inflorescence and extract products.

11. On April 26, 2020, Focus signed a three-year definitive supply agreement (the "Megadim Supply Agreement") with an IMC-GAP certified independent farmer located in Megadim, Israel and licensed to cultivate medical cannabis. Under the Megadim Supply Agreement, Focus will purchase a total of up to 8,060kg of medical cannabis over three years at an agreed upon price, of which approximately 7,500kg is contingent upon the supplier meeting quality criteria set under the Megadim Supply Agreement. All finished products created from the medical cannabis pursuant to the Megadim Supply Agreement will be sold by Focus under the IMC brand to pharmacies in Israel. On February 10, 2021, the Company announced the amendment to the Megadim Supply Agreement, to reflect the supply of only three harvests of medical cannabis being purchased by Focus. Under such amendment and subject to the terms therein, upon payment for all three harvests, the Megadim Supply Agreement will be terminated. Following this change, approximately 570 kg of medical cannabis was provided to Focus by the supplier.

12. On May 7, 2020, the Company announced that Adjupharm received purchase orders for an aggregate of 360kg of IMC-branded medical cannabis products pursuant to certain distribution agreements entered into with German distributors in March 2020.

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

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

15. On May 26, 2020, Focus received its first shipment of 200kg of imported medical cannabis from Spain-based Linneo Health S.L, the Company's EU-GMP certified supply partner for medical cannabis, which in June 2020, began selling in Israel under the IMC brand.

16. On June 12, 2020, the Company signed a binding term sheet for the exclusive distribution rights of CannEpil® in Israel for a period of five years (the "CannEpil Term Sheet"), subject to CannEpil® meeting requirements under applicable laws to be qualified as a legal drug in Israel. CannEpil® is a phytocannabinoid medicine developed by MGC Pharmaceuticals Ltd. ("MGC") for the treatment of refractory epilepsy. According to the CannEpil Term Sheet, IMCC would be responsible for the registration, promotion and distribution of CannEpil® in Israel. IMCC would also obtain all necessary permits and licenses for importation and commercialization. MGC would continue to own all intellectual property rights associated with CannEpil® and its continued research and development.

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

18. In July 2020, Adjupharm entered into several binding medical cannabis sales agreements with the following distributors in Germany: Zur Rose Pharma GmbH ("Zur Rose"), Axicorp Group, Canymed GmbH and Materia Deutschland GmbH. These additional distributors brought Adjupharm's total number of contracted German distributors to seven, with definitive purchase commitments with such distributors totaling 1,525kg of medical cannabis products bearing the IMC brand to be delivered in Germany over a 12-month period. A settlement to terminate the medical cannabis sales agreement with Zur Rose was reached on March 30, 2021.
    On March 30, 2021, subsequent to the reporting period, Zur Rose and the Company entered into a termination settlement agreement according to Zur Rose's request, according to which, Adjupharm received a termination fee. According to the termination agreement no inventory will be transferred from Zur Rose to Adjupharm or the opposite.

19. On July 24, 2020, Focus signed a supply agreement with Ever Green Solomon Pharma Ltd ("Ever Green") (the "Ever Green Supply Agreement"), an IMC-GAP certified cultivator, for the purchase of all of the medical cannabis production cultivated by Ever Green in an 86,000 square feet area of its facility, over a period of five years, with an option for Focus to extend the term by an additional five years. The finished products created from medical cannabis delivered pursuant to the Ever Green Supply Agreement will be sold by Focus to pharmacies in Israel under the IMC brand.

20. On July 28, 2020, the Company established a wholly-owned subsidiary in the Netherlands, IMC Holland, which subsequently established another Dutch entity, IMC Holland B.V. ("Holland B.V."), in which 60% is owned by IMC Holland, and the remaining 40% is owned by a group of four individuals with expertise in the Dutch cannabis market. Holland B.V. was incorporated for the purpose of applying for a Dutch governmental tender (the "Dutch Tender") and to establish a full cannabis supply chain to coffee shops in the Dutch municipalities participating in the Dutch Tender. On November 27, 2020, the Company received notice that its application for the Dutch Tender was not accepted. Accordingly, Holland B.V. was liquidated effective as of December 18, 2020. As of the date of this MD&A, the Company is exploring other strategic opportunities involving successful applicants of the Dutch Tender but does not currently have any material operations in the jurisdiction.

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

22. On September 9, 2020, Adjupharm signed a distribution agreement for the sale of IMC-branded medical cannabis products with Farmako GmbH, bringing its total number of contracted German distributors to ten.

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

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

25. On December 30, 2020, the Company entered into a definitive agreement with Trichome, to combine their businesses pursuant to a plan of arrangement to be completed under the Business Corporations Act (Ontario) (the "Trichome Transaction").

Subsequent Events

1. On February 12, 2021, the Company's shareholders approved at a special meeting, the Share Consolidation.

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

3. 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 import of the Canadian-grown high-THC strains from GTEC's subsidiary, Grey Bruce Farms Incorporated ("GBF"), is expected to commence in Q2 2021, subject to fulfilling all regulatory requirements in relation to such import, including compliance with MOH regulations and receipt of a valid export license from Health Canada. 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.

4. 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.

5. 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 are expected to commence in Q2 2021.

6. On March 18, 2021, the Company acquired all of Trichome's issued and outstanding shares (the "Trichome Shares") and closed 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, resulting in former Trichome Securityholders holding approximately 20.06% of the total number of issued and outstanding Common Shares immediately after closing. In addition, 100,916 Common Shares were issued to financial advisors for advisory fees in connection with the Trichome Transaction.

7. 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.

8. 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 USD 250,000 (or its equivalent in other currencies) of Common Shares, warrants, subscription receipts, debt securities, units (collectively, the "Qualified Securities"), or any combination of such Qualified Securities from time to time, during the 25-month period that the Final Shelf Prospectus is effective. The specific terms of any offering under the Final Shelf Prospectus and the intended use of the net proceeds will be established in a prospectus supplement, which will be filed with the Securities Commissions and the SEC in connection with any such offering.

9. 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 supplied from the China-based suppliers, to be distributed to pharmacies and retailers in Germany.

10. On April 1, 2021, the Company entered into a definitive agreement to acquire MYM and its licensed producer subsidiary Highland Grow Inc., pursuant to a plan of arrangement to be completed under the OBCA. Under the terms of the MYM Transaction, the shareholders of MYM will receive 0.022 Common Shares for each common share of MYM. Upon completion of the MYM Transaction, MYM former shareholders will own approximately 14.5% of the Company. The completion of the MYM Transaction is expected to occur before the end of 2021, and it will be subject to required court, securityholder and regulatory approvals.

Company Outlook

In Israel, the Company, through the Commercial Agreements, continues to expand the IMC brand recognition, and supply, in association with Focus, the growing medical cannabis market in Israel with products bearing the IMC brand. With the expected high growth of the Israeli medical cannabis market, the Company is well positioned to reap the benefits of its long-term presence and strong brand from this market expansion as it expects increases in both revenues and profitability. Additionally, the Group is focused on diversifying its product portfolio with premium and super premium medical cannabis products, leveraging its North American acquisition strategy that is expected to result in additional opportunities to export premium cannabis products to both Israel and Germany.

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.

In Canada, the Company is focused on continuing with an aggressive and accretive acquisition strategy focusing on attractively valued and highly synergistic targets.

Following the successful completion of the Trichome Transaction on March 18, 2021, IMCC's global platform now includes the adult-use recreational cannabis market, in addition to its established distribution channels for medical cannabis in Israel through Focus and in Germany through Adjupharm. Additionally, the Company's senior management team now includes extensive experience in acquisitions and restructuring to capitalize on consolidating a targeted list of attractively valued and highly synergistic assets.

Furthermore, the Company is planning to leverage TJAC's premium indoor cultivation capability to meet growing demand for premium cannabis under IMC's established international distribution platform.

The Company believes that successful completion of the MYM Transaction will enhance IMCC's focus on premium and super premium branded cannabis products in Canada. Furthermore, with coast-to-coast distribution, including a strong leadership position in eastern Canada, Highland Grow will expand the Company's distribution capabilities, fast track the entrance of JWC (expected soon to be relaunched as "Wagners") into new markets, and is expected to drive significant incremental revenue and EBITDA growth.

Overview of Financial Performance

	For the year ended December 31,		For the three months ended December 31,	
	2020	2019	2020	2019
Revenues	$ 15,890	$ 9 ,074	$ 4,900	$ 2,479
Gross profit before fair value impacts in cost of sales	$ 8,809	$ 4,313	$ 2,791	$ 881
Gross margin before fair value impacts in cost of sales (%)	55 %	48%	57%	36%
Operating loss	$ (8,245)	$ (10,275)	$ (6,383)	$ (6,222)
Net Income (Loss)	$ (28,734)	$ (7,419)	$ (19,976)	$ 1,693
Net Income (Loss) per share attributable to equity holders of the Company - Basic and Diluted (in CAD)	$ (0.74)	$ (0.23)	$ (0.50)	$ 0.08

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

Operational Results - Medical Cannabis

	For the year ended December 31,		For the three months December 31,	
	2020	2019	2020	2019
Average net selling price of dried cannabis (per Gram)	$ 5.75	$ 3.39	$ 5.51	$ 4.50
Quantity harvested (in Kilograms)	4,564	2,351	1,610	863
Quantity sold (in Kilograms)	2,586	2,180	1,079	482

Review of Operations for the year ended December 31, 2020 and 2019

Revenues

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

Revenues for the year ended December 31, 2020 and 2019 were $15,890 and $9,074, respectively, representing an increase of $6,816 or 75%. Total product sold for the year ended December 31, 2020 was 2,586kg at an average selling price of $5.75 per gram compared to 2,180kg at an average selling price of $3.39 per gram for the year ended December 31, 2019.

Revenues for the three months ended December 31, 2020 and 2019 were $4,900 and $2,479, respectively, representing an increase of $2,421 or 98%. The increase in revenues for the three months ended December 31, 2020 is attributable to deliveries made under the Focus' sales agreements to pharmacies, as well as to the increased average selling price of $5.51 per gram, compared to a $4.50 average selling price per gram for the three months ended December 31, 2019.

Cost of Revenues

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

The cost of revenues for the year ended December 31, 2020 and 2019 were $7,081 and $4,761, respectively, representing an increase of $2,320 or 49%. Cost of revenues for the three months ended December 31, 2020 and 2019 were $2,109 and $1,599, respectively, representing an increase of $510 or 32%. Most of the cost of revenues were comprised of production works, utilities, salary expenses and import costs, as well as certain adjustments made by the Company in order to adhere to the MOH's new regulation. Focus expects net cost of sales to vary from quarter to quarter based on the number of pre-harvest plants, after harvest plants, the strains being grown and technological progress in the trimming machines.

Gross Profit

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

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

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

Gross profit for the year ended December 31, 2020 and 2019 was $10,468 and $3,929, respectively, representing an increase of $6,539 or 166%. For the three months ended December 31, 2020 and 2019 gross profit (loss) was $507 and $(274), respectively, representing an increase of $781 or 285%. This increase is attributed mainly to the cannabis price increase described above as well as the growth in high THC sales that enjoy from higher margins. Gross profit included gains from unrealized changes in fair value of biological assets and realized fair value adjustments on inventory sold of $1,659 and $(384) for the year ended December 31, 2020 and 2019, respectively. For the three months ended December 31, 2020 and 2019, total fair value adjustments were $(2,284) and $(1,154), respectively.

Expenses

General and Administrative

General and administrative expenses for the year ended December 31, 2020 and 2019 were $11,413 and $6,422, respectively, representing an increase of $4,991 or 78%. For the three months ended December 31, 2020 and 2019, general and administrative expenses were $4,190 and $1,297, respectively, representing an increase of $2,893 or 223%. The increase in the general and administrative is mainly attributable to the growing corporate activity in Israel and Germany, as professional services derived from legal fees and other consulting services in relation to the NASDAQ listing and M&A processes in the amount of $4,607, salaries and bonuses to employees in relation to the Company's performances in the amount of $4,394, and insurance costs in the amount of $701.

Selling and Marketing

Selling and marketing expenses for the year ended December 31, 2020 and 2019 were $3,782 and $1,240, respectively, representing an increase of $2,542 or 205%. For the three months ended December 31, 2020, selling and marketing expenses were $1,448, compared to $276 for the three months ended December 31, 2019, representing an increase of $1,172 or 425%. The increase in the selling and marketing expenses was due 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.

Research and Development

Research and development expenses for the year ended December 31, 2020 and 2019 were $136 and $233, respectively, representing a decrease of $97 or 42%. For the three months ended December 31, 2020 and 2019, research and development expenses were $1 and $32, respectively, representing a decrease of $31 or 97%. The decrease for the year ended December 31was primarily associated with the COVID-19 pandemic, which caused delays in new projects in Greece and Portugal.

Share-Based Compensation

Share-based compensation expense for the year ended December 31, 2020 and 2019 was $3,382 and $2,677, respectively, representing an increase $705 or 26%. For the three months ended December 31, 2020 and 2019, share-based compensation expense was $1,251 and $712, respectively, representing an increase of $539 or 76% which derived from the leave of several employees. The increase was mainly due to the grant of new incentive stock options ("Options") on September 9, 2020 and the increase in the Company's share price which led to increase in the fair value adjustment of consultants' options.

Financing

Financing income (expense), net, for the year ended December 31, 2020 and 2019 was $(20,227) and $2,946, respectively, representing a decrease of $23,173 or 787%. For the three months ended December 31, 2020, financing income (expense) was $(14,252) and $7,548, respectively, representing a decrease of $21,800 or 289%. The change was mainly due to the valuation update of the Warrants, which was affected by the Company's increased share price.

Depreciation and Amortization

Depreciation and amortization expenses for year ended December 31, 2020 and 2019 were $930 and $620, respectively, representing an increase of $310 or 50%. For the three months ended December 31, 2020 and 2019, depreciation and amortization expenses were $259 and $184, respectively, representing an increase of $75 or 41%. Depreciation and amortization expenses are impacted by the adoption of IFRS 16, renewal of Focus' greenhouses and Focus' purchase of additional production equipment, as well as the amortization of intangible assets following the acquisition of Adjupharm.

Net Income (Loss)

Net loss for the year ended December 31, 2020 and 2019 was $(28,734) and $(7,419), respectively, representing a net loss increase of $(21,315) or 287%. For the three months ended December 31, 2020 and 2019, net income (loss) was $(19,976) and $1,693, respectively, representing a decrease of $21,669 or 1,280%. The net decrease related to factors impacting net income from operations described above, and finance expenses driven by revaluation of Warrants in the amount of $20,155, which were recorded against liability on the grant day and were re-evaluated at December 31, 2020 through profit or loss.

Loss per Share

Basic loss per share is calculated by dividing the net profit attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted profit per 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 and diluted loss per Common Share for the twelve and three months ended December 31, 2020 were ($0.74) and ($0.50) per Common Share, respectively.

Total Assets

Total assets as at December 31, 2020 were $38,116, compared to $30,894 as at December 31, 2019, representing an increase of $7,222 or 23%. This increase was primarily due to the completion of the private placement offering of Subscription Receipts, in which Finco, a subsidiary of the Company, raised approximately $20,433. During the year ended on December 31, 2020, the Company received $6,990 proceeds from the exercise of Warrants, Compensation Options and Options, out of which, $6,032 was received for the 2018 Warrants and Compensation Options. A total of 12,610,925 Warrants and Compensation Options were exercised, out of which, 12,350,795 were the 2018 Warrants and Compensation Options, representing 92.1% of the total quantity of Warrants and Compensation Options, at a price of $0.50 per 2018 Warrant and $0.40 per 2018 Compensation Option. The Company used part of the proceeds from the warrant exercises for its operating activities where trade receivables and inventories increased by $3,691 and $2,948, respectively, during 2020. Investing activities in property, plant and equipment and investments increased by $2,140 and $1,429, respectively, during 2020.

Total Liabilities

Total liabilities as at December 31, 2020 were $25,506, compared to $4,785 at December 31, 2019, representing an increase of $20,721 or 433%. The increase was primarily due to an increase of $16,343 in Warrants liability, and a slight increase in trade payables, other payables and deferred tax liability.

Intangible Assets

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, IMC acquired 100% of Adjupharm's issued and outstanding shares for €924 (approximately $1,400).

Through the acquisition of Adjupharm, the Company recognized $1,287 in intangible assets and goodwill. The goodwill arising on the acquisition was attributed to the expected benefits from the synergies of the combination of the activities of the Company and Adjupharm.

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

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

Liquidity and Capital Resources

For the year ended December 31, 2020, the Company generated revenues of $15,890 and received $6,990 in proceeds from the exercises of Warrants, Compensation Options and Options. Prior to receiving these proceeds, the Company financed its operations and met its capital requirements primarily through the October 2019 equity financing, upon the Reverse Takeover Transaction and listing on the CSE. The Company's objectives when managing its liquidity and capital resources are to generate enough cash to fund the Company's operating and working capital requirements as well as its strategy of being listed on NASDAQ. The Company believes that the generated cash flow form working capital in the different jurisdictions on which it operates, as well as the additional expected exercises of Warrants and future financing rounds will meet all of its future requirements. In evaluating its capital requirements, including the impact, if any, on the Company from the COVID-19 pandemic, and the ability to fund the execution of its strategy, the Company believes it has adequate availability to meet its working capital and other operating requirements, fund growth initiatives and capital expenditures, settle its liabilities, and repay scheduled principal and interest payments on debt for at least the next twelve months.

The Company has ensured that it has access to public capital markets through its CSE listing, and continues to review and pursue selected external financing sources to ensure adequate financial resources. These potential sources include, but are not limited to (i) obtaining financing from traditional or non-traditional investment capital organizations and (ii) obtaining funding from the sale of the Company's securities. There can be no assurance that we will gain adequate market acceptance for our products or be able to generate sufficient positive cash flow to achieve our business plans. We expect to continue funding these purchases with our available cash, cash equivalents and short-term investments. Therefore, we are subject to risks including, but not limited to, our inability to raise additional funds through financings to support our continued development, including capital expenditure requirements, operating requirements and to meet our liabilities and commitments as they come due. As at December 31, 2020, the Company had a working capital surplus of $20,874, compared to working capital of $21,682 as at December 31, 2019. The decrease in working capital of $808 was primarily due to increase in the current liabilities. As of December 31, 2020, the Company had an unaudited cash balance of $8,885 and no debt.

As at December 31, 2020, the Group's financial liabilities consisted of accounts payable and other accounts payable which have contractual maturity dates within one year. The Group manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Group's working capital position at December 31, 2020, management considers liquidity risk to be low.

As at December 31, 2020, the Group has identified the following liquidity risks related to financial liabilities:

	Less than one year	1 to 5 years	6 to 10 years
Lease liabilities	$ 232	$ 547	$ 515

The maturity profile of the Company's other financial liabilities (trade payables, other account payable and accrued expenses, and warrants) as of December 31, 2020 are less than one year.

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

Share Capital

The Company's authorized share capital consists of an unlimited number of Common Shares without par value, 159,063,128 of which were issued and outstanding as of December 31, 2020.

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.

Operating, Financing and Investing Activities

The following table highlights the Company's cash flows for the twelve and three months ended December 31, 2020 and 2019:

	For the year ended December 31,		For the three months ended December 31,	
Net cash provided by (used in):	2020	2019	2020	2019
Operating activities	$ (7,919)	$ (5,959)	$ (535)	$ (3,113)
Investing activities	$ (4,075)	$ (3,775)	$ (838)	$ (1,539)
Financing activities	$ 6,740	$ 17,051	$ 502	$ 17,781
Effect of foreign exchange	$ 213	$ (982)	$ 19	$ (534)
Decrease in cash	$ (5,041)	$ 6,335	$ (852)	$ 12,595

Operating activities used cash of $7,919 and $535 for the twelve and three months ended December 31, 2020, respectively, as compared to $5,959 and $3,113 for the twelve and three months ended December 31, 2019, 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 and Germany. In the three months ended December 31, 2020, cash was primarily used to increase operating activities in connection with the Company's operations in Germany and the preparation of its Israeli operations to deliver medical cannabis under the Focus' sales agreements to pharmacies.

Investing activities used cash of $4,075 and $838 for the twelve and three months ended December 31, 2020, respectively, as compared to $3,775 and 1,539 for the twelve and three months ended December 31, 2019, respectively. In the three months ended December 31, 2020, cash was used primarily for the purchase of production equipment for Focus and Adjupharm as well as for investment in Xinteza.

Financing activities provided by cash of $6,740 and $502 for the twelve and three months ended December 31, 2020, respectively, as compared to $17,051 and $17,781 for the twelve and three months ended December 31, 2019, respectively. Most of the cash provided by finance activities in the three and twelve months ended December 31, 2020 were derived from the $6,378 in gross proceeds from the exercise of Warrants, Compensation Options and $612 from the exercise of Options, as well as from the repayment of a $250 lease liability and lease liability interest.

Selected quarterly financial information

For the three months ended	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**
Revenues	$ 4,900	$ 5,893	$ 3,757	$ 1,340
Net income (Loss)	$ (19,976)	$ 738	$ (9,696)	$ 200
Basic and diluted net income (Loss) per share (in CAD):	$ (0.50)	$ 0.00	$ (0.52)	$ (0.00)

For the three months ended	**December 31, 2019**	**September 30, 2019**	**June 30, 2019**	**March 31, 2019**
Revenues	$ 2,479	$ 2,326	$ 2,314	$ 1,955
Net income (Loss)	$ 1,693	$ (1,915)	$ (610)	$ (6,591)
Basic and diluted net income (Loss) per share (in CAD):	$ 0.08	$ (0.04)	$ (0.04)	$ (0.24)

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 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 year ended December 31,		For the three months ended December 31,	
	2020	**2019**	**2020**	**2019**
Operational Loss	$ (8,245)	$(10,275)	$ (6,383)	$ (6,222)
Depreciation & Amortization	$ 930	$ 601	$ 258	$ 165
EBITDA	$ (7,315)	$ (9,674)	$ (6,125)	$ (6,057)
IFRS Biological assets fair value adjustments, net	$ (1,659)	$ 384	$ 2,284	$ 1,154
Share-based payments	$ 3,382	$ 2,677	$ 1,251	$ 713
Non-recurring costs related to the RTO	$ -	$ 3,632	$ -	$ 3,632
Costs related to the NASDAQ listing	$ 175	$ -	$ 175	$ -
Other Non-recurring costs	$ 520	$ 1,167	$ (5)	$ -
Adjusted EBITDA (Non-IFRS)	$ (4,897)	$ (1,814)	$ (2,420)	$ (558)

Adjusted EBITDA for the year ended December 31, 2020 and 2019 was $(4,897) and $(1,814), respectively, representing a decrease of $3,083. Adjusted EBITDA for the three months ended December 31, 2020 and 2019 was $(2,420) and $(558), respectively, representing a decrease of $1,862. The Company's Adjusted EBITDA for the year and three month period ended December 31, 2020 decreased as the Group increased its corporate expenses due to extensive efforts in fulfilling its business objectives while starting deliveries under its sales agreements to pharmacies and distribution partners, as applicable; other costs, including increased salaries expenses, increased selling and marketing expenses, mainly in Germany, professional services relating to M&A efforts, and NASDAQ listing expenses.

Contingent Liabilities and Commitments

(i) Rental Liabilities

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

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

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

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

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

On January 4, 2021, the Court denied the motion, determining that the applicants had not proved an evidentiary basis for their motion.

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

On August 19, 2019, a motion was filed for approval of a class action (the "Motion") against 17 companies (the "Companies") operating in the field of medical cannabis in Israel, including Focus. The applicant's argument is that the Companies did not accurately mark the concentration of active ingredients in their products. The personal suit sum for every class member stands at NIS 15,585 ($5,900) and the total amount of the class action suit is estimated at NIS 686,000($261 ,000). On June 2, 2020, the Companies submitted their response to the Motion. The Companies argue in their response that the threshold conditions for approval of a class action were not met, since there is no reasonable possibility that the causes of action in the Motion will be decided in favor of the class group. On July 3, 2020, the applicant submitted his response to the Companies' response. On July 5, 2020 the applicant was absent from the hearing. As a result, on July 23, 2020, the Companies filed an application for a ruling of expenses, which received a response from the applicant on August 12, 2020, asking to decline this request. On September 21, 2020, the court ruled that the applicant would pay the Companies' expenses amount of 750 NIS. Prehearing is set for July 14, 2021.

At this preliminary stage, based on the opinion of its legal counsel, Focus' management cannot, assess the chances of approval of the Motion. Therefore, no provision has been recorded in respect thereof.

(iv) Supreme Court of Justice 2335/19

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

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

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

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

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

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 an RFI to the corporations engaged in the medical cannabis market and assess the market every six months. Following the aforementioned, the respondents represented by the State Attorney's Office believe that the appeal should be rejected and the interim injunction should be canceled. On April 13, 2021, three of the respondents filed a response to the court, requesting to reject the appeal and to cancel the interim injunction.

Based on the opinion of its legal counsel, Focus' management estimate that the chances of the petition are less than 50%.

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

On October 30, 2019, Focus was served with a motion for approval of a class action against it, the Medical Cannabis Unit of the MOH, and five other companies related to the cannabis market in Israel. The motion was filed in connection to a stopping of supplies of medical cannabis by way of direct supply. The legal causes alleged in the motion are the following: discrimination in violation of the Equal Rights for Persons with Disabilities Act, 1988 and a restrictive arrangement contrary to the Economic Competition Law, 1988. The motion argues that the class action group incurred damages in the amount of NIS 656,000 ($250,000). On November 11, 2020, Focus submitted its response to the motion and the pre-hearing was scheduled for March 21, 2021.

On March 14, 2021, the court denied the motion.

Off-Balance Sheet Arrangements

IMCC had no off-balance sheet arrangements as at December 31, 2020.

Transactions with Related Parties

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

Fourth Quarter

During the fourth quarter of 2020, the Group focused on establishing its presence in the Canadian market, announcing the acquisition of Trichome on December 30, 2020 and its wholly owned licensed producer, TJAC, thereby facilitating the entry into the Canadian adult-use market while also securing consistent supply of premium cannabis for the Group' operations in Israel and Germany. In Germany, the Company executed binding sales agreements with distribution partners, reaching more than 6,000 pharmacies. Also in the fourth quarter, the Company applied to list its shares on the NASDAQ.

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 share option and expected dividend yield.

Discount rate for a lease liability

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

b. Estimates and assumptions

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

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

Assessment of going concern

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

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

Biological assets and inventory

In calculating the value of the biological assets and inventory, management is required to make several estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, average or expected selling prices and list prices, expected yields for the cannabis plants, and oil conversion factors. The valuation of work-in-process and finished goods also requires the estimate of conversion costs incurred, which become part of the carrying amount for the inventory. The Company must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged. See Note 10 for further information.

Legal claims

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

Deferred tax assets

Deferred tax assets are recognized for unused 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.

Risk Factors

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

The following risk factors have been identified by management:

(i) General Business Risk and Liability

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

(ii) 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 CEO, director and a promoter of the Company, and Rafael Gabay, a director and a promoter of the Company; 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

(c) the Company provides management and support activities to Focus through the Services Agreement.

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

Any failure of the Company or 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.

(iii) Ownership of Focus

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

(iv) 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.

(v) Negative Cash Flows

During the year ended December 31, 2020, the Company had negative cash flows from operating activities. Although the Company expects to generate positive cash flows from its future operating activities, there is no assurance that it will achieve this objective. If operational cash flows continue to be negative, the Company may be required to fund future operations with alternative financing options such as offerings of shares.

(vi) 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.

(vii) 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.

(viii) Compliance with Laws

The Company's and its investees' operations are subject to various laws, regulations and guidelines. The Company endeavors to and cause its investees to comply with all relevant laws, regulations and guidelines. However, there is a risk that the Company's and its investees' interpretation of laws, regulations and guidelines, including, but not limited to the Cannabis Act, the regulations thereunder and applicable stock exchange rules and regulations, may differ from each other, and the Company's and its investees' operations may not be in compliance with such laws, regulations and guidelines. In addition, achievement of the Company'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 Company or its investees may significantly delay or impact the development of the Company's business and operations and could have a material adverse effect on the business, results of operations and financial condition of Company. Any potential noncompliance could cause the business, financial condition and results of operations of Company 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 investees may cause adverse effects to Company's operations. The risks to the business of Company 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 Company's or the investees' products and could materially and adversely affect the business, financial condition and results of operations of the Company.

The Company and its investees incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws and regulations may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures or remedial actions. Parties may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws or regulations, may have a material adverse impact on the Company 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 Company.

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.

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

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

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

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

(x) Changes in Laws, Regulations and Other Guidelines

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

(xi) Environmental and Employee Health and Safety Regulations

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

(xii) Reliance on License and Permit Renewals

Focus and Adjupharm are dependent on certain 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, Focus' license is valid until January 3, 2022 and the quantities for import under the Adjupharm licenses are valid until May 8, 2021. Although management of Focus and Adjupharm believe that they will continue to meet the requirements of the MOH and the BfArM, respectively, for the respective durations of the Key Licenses, there can be no guarantee that the MOH or BfArM will extend or renew any of the Key Licenses or, if any of the Key Licenses are extended or renewed, that they will be extended or renewed on the same or similar terms.

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

(xiii) Reliance on Other Business Licenses, Permits and Approvals

In addition to Focus' and Adjupharm'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.

(xiv) Reliance on Focus Facility

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

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

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

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

In December 2020, the municipal committee presiding over planning and construction in southern Israel (the "Construction Committee") advised Focus that it was the subject of certain allegations regarding inadequate permitting for construction relating to the Focus Facility (the "Construction Allegations"). Focus' shareholders and directors, including Oren Shuster and Rafael Gabay, received a summons and have testified before the Construction Committee. In January 2021, the MOH advised Focus that it had received a complaint of the same nature as the Construction Allegations (the "MOH Allegations"). Focus is fully cooperating with the ongoing investigations of both the Construction Committee and the MOH. As of the date of this MD&A, no formal legal proceedings have been commenced against any of Focus, Mr. Shuster or Mr. Gabay. In the event that formal legal proceedings in respect of the Construction Allegations and/or the MOH Allegations are launched, potential consequences of any negative outcome may include, but are not limited to: (i) criminal charges against any or all of Focus or Focus' shareholders and directors, including Mr. Shuster and Mr. Gabay; (ii) monetary penalties or fines; (iii) temporary or permanent suspension of the Focus License; and (iv) other consequences that may limit, in part or as a whole, Focus' operations under the Focus License. A negative outcome to the Construction Allegations or the MOH Allegations may have a material adverse effect on the business, results of operations and financial conditions of the Group.

(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 Company will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than the Company. Because of the early stage of the industry in which IMCC operates, the Company expects to face additional competition from new entrants. If the number of users of medical cannabis in Israel increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products and pricing strategies.

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

(xvii) Risks Inherent in the Agricultural Business

The Company's business, specifically as it pertains to its relationship with Focus, involves the growing of medical cannabis, which is an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as pests, plant diseases and similar agricultural risks. Although Focus grows its products indoors under climate-controlled conditions, and carefully monitors the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products and results of operations of Focus.

(xviii) Restrictions on Sales and Marketing

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

(xix) Publicity or Consumer Perception

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

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

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

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

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

(xxi) Sufficiency of Insurance

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

(xxii) Potential Product Liability

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

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

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

(xxiii) Potential General Litigation

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

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

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

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

(xxv) Management of Growth

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

(xxvi) 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.

(xxvii) COVID-19

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

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

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

(xxviii) Focus' Essential Service Designation

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

(xxix) 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 United States Securities and Exchange Commission (the "SEC"). Under the United States 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.

(xxx) 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 Company's Common Shares must be either directly or indirectly owned by non-residents of the U.S. unless the Company also satisfies one of the additional requirements necessary to preserve this status. The Company may in the future lose its foreign private issuer status if a majority of its Common Shares are held in the U.S. and if the Company fails to meet the additional requirements necessary to avoid loss of its foreign private issuer status. The regulatory and compliance costs under U.S. federal securities laws as a U.S. domestic issuer may be significantly more than the costs incurred as a Canadian foreign private issuer eligible to use the multi-jurisdictional disclosure system adopted by the securities regulatory authorities in United States and Canada ("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.

(xxxi) 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 U.S. Securities Act; (c) the date on which the Company has, during the previous three year period, issued more than US$1,000,000,000 in non-convertible debt; and (d) the date on which the Company is deemed to be a "large accelerated filer", as defined in Rule 12b-2 under the Exchange Act. The Company will qualify as a large accelerated filer (and would cease to be an emerging growth company) at such time when on the last business day of its second fiscal quarter of such year the aggregate worldwide market value of its common equity held by non-affiliates will be US$700,000,000 or more.

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

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 Condensed Consolidated Financial Statements). Certain of these policies involve critical accounting estimates as they require management to make particularly subjective or complex judgments, estimates and assumptions about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

The following new accounting standards applied or adopted during the year ended December 31, 2020, had impact on the Annual Financial Statements:

IFRS 3, "Business Combinations":

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

The Amendment consists of the following:

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

The Amendment is to be applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, with earlier application permitted. The 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 Amendment") regarding the criteria for determining the classification of liabilities as current or non-current.

The Amendment includes the following clarifications:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;

- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The 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 Amendment on its current loan agreements.

Financial Instruments

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

Share price risk

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

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

At the reporting date, the Group's exposure to investments in unlisted shares measured at fair value was $2,341.

Credit risk

The maximum credit exposure at December 31, 2020, is the carrying amount of cash and cash equivalents, accounts receivable and other current assets. The Group does not have significant credit risk with respect to customers. All cash and cash equivalents are placed with major Israeli financial institutions.

Liquidity risk

As at December 31, 2020, the Group's financial liabilities with liquidity risk consist of trade payables and other accounts payable, which have contractual maturity dates within one year, and lease liabilities. The Group manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Group's working capital position as at December 31, 2020, 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):

December 31, 2020:

	Less than one year	1 to 5 years	6 to 10 years	>10 years
Lease liabilities	$ 232	$ 547	$ 515	$ -

December 31, 2019:

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

The maturity profile of the Company's other financial liabilities with liquidity risk (trade payables, other account payable and accrued expenses) as of December 31, 2020 and 2019, are less than one year.

Currency rate risk

As at December 31, 2020, a portion of the Group's financial assets and liabilities held in Euro and CAD consist of cash and cash equivalents in the amount of €472 (approximately $738) and $4,188, respectively. The Group's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties in NIS. The Group does not currently use foreign exchange contracts to hedge its exposure of its foreign currency cash flows, as management has determined that this risk is not significant at this point of time.

Procedures and Internal Control over Financial Reporting

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

- maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of assets;
- reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable IFRS;
- receipts and expenditures are only being made in accordance with authorizations of management or the board of directors; and

- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial instruments.

The Company's management, with the participation of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), assessed the effectiveness of the Company's internal controls over financial reporting and concluded that as at December 31, 2020, the Company's internal control over financial reporting was effective and yet constantly seek to improve it.

During the year ended December 31, 2020, the Company did not make any significant changes to its internal controls over financial reporting that would have materially affected, or reasonably likely to materially affect, its internal controls over financial reporting.

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

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

Additional Information

Additional information relating to the Company, including the Company's AIF, is available on SEDAR atwww.sedar.com.

- - - - - - - - - - - - - - - - - - -

Exhibit 99.4

CERTIFICATION

I, Oren Shuster, certify that:

1. I have reviewed this annual report on Form 40-F of IM Cannabis Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditor and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: April 26, 2021

By: /s/ Oren Shuster
Oren Shuster
Chief Executive Officer
(Principal Executive Officer)

Exhibit 99.5

CERTIFICATION

I, Shai Shemesh, certify that:

1. I have reviewed this annual report on Form 40-F of IM Cannabis Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditor and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: April 26, 2021

By: /s/ Shai Shemesh
Shai Shemesh
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 99.6

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of IM Cannabis Corp. (the "Company") on Form 40-F for the period ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Oren Shuster, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

April 26, 2021

/s/ Oren Shuster
Oren Shuster
Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to IM Cannabis Corp. and will be retained by IM Cannabis Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 99.7

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of IM Cannabis Corp. (the "Company") on Form 40-F for the period ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Shai Shemesh, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

April 26, 2021

/s/ Shai Shemesh
Shai Shemesh
Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to IM Cannabis Corp. and will be retained by IM Cannabis Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Annual Report on Form 40-F of IM Cannabis Corp. of our report dated April 23, 2021, with respect to the consolidated statements of financial position of IM Cannabis Corp. (the "Company"), as of December 31, 2020 and 2019 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for each of the years in the two year period ended December 31, 2020.

We also consent to the incorporation by reference of our report into the Company's Registration Statement on Form F-10 (No. 333-254255).

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

Tel Aviv, Israel
April 26, 2021