

March 31, 2022



IM Cannabis Reports Record Fourth Quarter and Fiscal Year 2021 Financial Results and Provides First Quarter 2022 Outlook

- *Fiscal Year 2021 revenues increased 242% year-over-year to a record of over \$54 million*
- *Q4 2021 revenues increased 309% year-over-year and 39% compared to Q3 2021*
- *Sequential revenue growth and gross margin improvement expected in Q1 2022*

TORONTO, and GLIL YAM, Israel, March 31, 2022 /PRNewswire/ --[IM Cannabis Corp.](#) (the "**Company**", "**IM Cannabis**", or "**IMC**") (CSE: IMCC) (NASDAQ: IMCC), a leading medical and adult-use recreational cannabis company with operations in Israel, Canada, and Germany, provided financial results for the three months and fiscal year ended December 31, 2021. All amounts are reported in Canadian dollars unless otherwise stated.



Q4 and Full Year 2021 Financial Summary

| <i>(CAD, in millions)</i> | Q4 2021 | Q4 2020 | Change (%) | FY 2021 | FY 2020 | Change (%) |
|--------------------------------|---------|---------|------------|----------|---------|------------|
| Revenues | \$20.0 | \$4.9 | 309% | \$54.3 | \$15.9 | 242% |
| Gross Profit ^[1] | \$3.8 | \$2.8 | 36% | \$11.9 | \$8.8 | 35% |
| Adjusted EBITDA ^[2] | (\$8.3) | (\$2.4) | N/A | (\$22.0) | (\$4.9) | N/A |

Management Commentary

"Our revenue growth of 242% to a record of over \$54 million in 2021 is a direct result of executing on our strategy to build a world-class operating platform for the premium cannabis market," said Oren Shuster, Chief Executive Officer of IMC. "The network of pharmacies we have acquired in Israel, which includes the country's largest online pharmacy business, supports a tech-enabled expansion of our patient base to fortify our position as one of the leading retail medical cannabis providers in the country. In Canada, our premium WAGNERS brand and ultra-premium Highland Grow continue to gain market share, with retail sales in Ontario increasing over 50% in Q4 2021 as compared to Q3 2021^[3]. With continuous improvements in yields and quality, we have both the capacity and the desired quality attributes to support our discerning customer and patient needs in our addressable markets.

"By leveraging our new trade centre in Israel, cultivation facilities in Canada, and state-of-the-art logistics hub in Germany, we can efficiently move product across our global platform and realize the full benefits of our holistic supply chain. This established infrastructure, when combined with our regulatory expertise and deep understanding of evolving market trends, have positioned IMC for long-term growth as the industry continues to mature.

"Looking forward, we expect revenues in the first quarter to accelerate sequentially and year-over-year, setting the stage for a robust year for IMC. As we see the increasing benefits from our integrated global platform materialize, we expect to achieve positive cash flow and adjusted EBITDA in the second quarter. We are focused on unifying our brands under the same high standards that we have always prioritized, which we believe will contribute to IMC's leadership position in the premium cannabis industry while ultimately driving sustainable value for our shareholders," concluded Shuster.

Preliminary Q1 2022 Financial Results

The Company continues to experience meaningful growth across its global platform, primarily in Israel and Canada, reflecting the continued execution of the Company's strategy, its accelerating international brand presence, its focus on cultivating premium flower, and its global distribution and supply chain model. On a preliminary, unaudited basis, IMC expects Q1 2022 revenue and gross margin to increase sequentially. The Company expects to release Q1 2022 financial results on or around May 16, 2022.

Recent Company Highlights

- Completed the strategic acquisition of 51% of the rights in Oranim Pharm partnership ("**Oranim Pharm**"), one of the largest pharmacies selling medical cannabis in Israel and the largest pharmacy selling medical cannabis in the Jerusalem area. The acquisition was completed following receipt of all requisite approvals, including from

the Israeli Medical Cannabis Agency ("IMCA").

- Completed the acquisition of Revoly Trading and Marketing Ltd., dba Vironna ("**Vironna**"). Vironna ranks among the top 10 single cannabis dispensing points in Israel and is one of the largest pharmacies in Israel serving the rapidly growing Arab consumer segment of the medical cannabis market.
- Completed the acquisition of R.A. Yarok Pharm Ltd. ("**Pharm Yarok**"), a leading medical cannabis pharmacy located in central Israel, and Rosen High Way Ltd. ("**Rosen High Way**"), a trade and distribution centre with an IMC-GDP license that provides medical cannabis storage, distribution services and logistics solutions for cannabis companies and pharmacies in Israel.
- Completed the acquisition of an IMC-GDP license for distribution of medical cannabis from Panaxia Pharmaceutical Industries Israel Ltd. and Panaxia Logistics Ltd., part of the Panaxia Labs Israel, Ltd. group of companies (collectively, "**Panaxia**"). As part of the transaction, IMC acquired Panaxia's trading house and in-house pharmacy activities, including Israel's largest retail and online pharmacy business.
- Focus Medical Herbs Ltd. ("**Focus Medical**") successfully imported approximately 399 kilograms of premium, indoor-grown, Canadian dried cannabis following approval from the Ministry of Agriculture to import to the Israeli market in Q4 2021. Subsequent to Q4 2021, the WAGNERS brand was launched in Israel.
- Announced the anticipated 2022 launch of WAGNERS brand in the rapidly evolving German medical cannabis market.

Q4 and Full Year 2021 Financial Results

- Revenues were \$20.0 million Q4 2021, representing an increase of 309% from Q4 2020 and 35% sequentially. Revenues in 2021 were \$54.3 million, representing an increase of 242% from 2020. Total dried flower sold for the year ended December 31, 2021 was 8,410kg at an average selling price of \$4.90 per gram, compared to 2,586kg for the same period in 2020 at an average selling price of \$5.75 per gram, derived from the lower average selling price per gram and higher sale volumes the Company gained from its acquisitions of Trichome and MYM.
- Gross profit, before fair value adjustments, was \$3.8 million in Q4 2021 compared to \$2.8 million in Q4 2020. Gross profit, before fair value adjustments, was \$11.9 million in 2021 compared to \$8.8 million in 2020. Gross profit was temporarily impacted in Q4 2021 by COVID-19 restrictions in Canada and Israel, which delayed third party manufacturing and disrupted labor and supply chains.
- General and administrative expenses were \$11.5 million in Q4 2021 compared to \$4.2 million in Q4 2020. General and administrative expenses were \$32.2 million in 2021 compared to \$11.5 million in 2020.
- Selling and marketing expenses were \$3.8 million in Q4 2021 compared to \$1.4 million in Q4 2020. Selling and marketing expenses were \$8.9 million in 2021 compared to \$3.8 million in 2020.
- Adjusted EBITDA² was \$(8.3) million in Q4 2021 compared to \$(2.4) million in Q4 2020. Adjusted EBITDA was \$(22.0) million in 2021 compared to \$(4.9) million in 2020.
- Net loss was \$12.5 million in Q4 2021 compared to a net loss of \$20.0 million in Q4 2020. Net loss was \$18.5 million in 2021 compared to a net loss of \$28.7 million in 2020.
- Basic and diluted loss per share in Q4 2021 of \$0.19 compared to basic and diluted loss per share of \$0.13 in Q4 2020.

- Basic and diluted loss per share in 2021 were \$0.31 and \$0.66, respectively, compared to basic and diluted loss per share of \$0.74 in 2020.
- Cash and cash equivalents totaled \$13.9 million at December 31, 2021, compared to \$8.9 million at December 31, 2020.

The complete audited consolidated financial statements of the Company and related management's discussion and analysis for the financial years ended December 31, 2021 and 2020, will be available under the Company's SEDAR profile at www.sedar.com.

Q4 and Full Year 2021 Conference Call

Date: Thursday, March 31, 2022

Time: 9:00 a.m. Eastern time (6:00 a.m. Pacific time)

U.S./Canada Dial-in: 1-855-327-6837

Israel Dial-in: 1-809-458-327

Germany Dial-in: 0-800-180-1954

International Dial-in: 1-631-891-4304

Conference ID: 10018676

Please dial in at least 10 minutes before the start of the call to ensure timely participation.

A playback of the call will be available through Wednesday, April 27, 2022. To listen, call 1-844-512-2921 within the United States or Canada or 1-412-317-6671 when calling internationally and enter replay pin number 10018676. A recording of the conference call will also be available on the events & presentations section of the IM Cannabis investor relations website linked [here](#).

About IM Cannabis Corp.

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

The IM Cannabis ecosystem operates in Israel through its commercial relationship with Focus Medical, which cultivates, imports, and distributes cannabis to medical patients, leveraging years of proprietary data and patient insights. The Company also operates medical cannabis retail pharmacies, online platforms, distribution centres and logistical hubs in Israel that enable the safe delivery and quality control of IM Cannabis products throughout the entire value chain. In Germany, the IM Cannabis ecosystem operates through Adjupharm GmbH ("**Adjupharm**"), where it also distributes cannabis to pharmacies for medical cannabis patients. In Canada, IM Cannabis operates through Trichome Financial Corp. ("**Trichome**") and its subsidiaries Trichome JWC Acquisition Corp. ("**TJAC**") and MYM Nutraceuticals Inc. ("**MYM**"), where it cultivates and processes cannabis for the adult-use market at its Ontario, Nova Scotia, and Quebec facilities under the WAGNERS and Highland Grow brands. For more information, please visit www.imcannabis.com.

Disclaimer Regarding Preliminary Financial Information

The financial information presented in this press release is based on preliminary, unaudited financial statements prepared by management, for the first quarter ended March 31, 2022 (the "**Q1 Financial Statements**"). Accordingly, such financial information may be subject to change. All financial information contained in this news release is qualified in its entirety with reference to the Company's unaudited financial statements for the first quarter ended March 31, 2022, which will be filed on the Company's SEDAR profile at www.sedar.com on or around May 16, 2022. While the Company does not expect there to be any material changes to the financial information presented in this press release, to the extent that it is inconsistent with the information contained in the Q1 Financial Statements, the financial information contained in this news release shall be deemed to be modified or superseded by such Q1 Financial Statements. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation for purposes of applicable securities laws.

Disclaimer for Forward-Looking Statements

This press release contains "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian and United States securities laws (collectively, "**forward-looking information**"). Forward-looking information are often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "likely" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. Forward-looking information in this press release includes, without limitation, statements relating to the Company's network of Israeli pharmacies and its tech-enabled expansion of its patient base, its position as a leading medical cannabis provider in Israel, the capacity and quality attributes of the Company's products to support growth in addressable markets, drivers of the Company's long-term growth, anticipated revenue and gross margin, sequential improvement and positive cash flow in the first quarter of 2022, the integration of the Company's global platform, the anticipated closing date of the convertible debenture financing and the Company's strategic plans.

Forward-looking information is based on assumptions that may prove to be incorrect, including but not limited to the ability of the Company to execute its business plan and the continued growth of the medical and/or recreational cannabis markets in the countries in which the Company operates or intends to operate, the Company maintaining "de facto" control over Focus Medical in accordance with IFRS 10, Focus Medical maintaining its existing Israeli medical cannabis propagation and cultivation licenses and the expected decriminalization and/or legalization of adult-use recreational cannabis in Israel. The Company considers these assumptions to be reasonable in the circumstances. However, forward-looking information is subject to business and economic risks and uncertainties and other factors that could cause actual results of operations to differ materially from those expressed or implied in the forward-looking information. Such risks include, without limitation: any failure of the Company to maintain "de facto" control over Focus Medical, Focus Medical maintaining its existing Israeli medical cannabis propagation and cultivation licenses; any determination that the Company is directly engaging in the Israeli medical cannabis market; the ability of the Company to comply with applicable government regulations in a highly regulated industry; unexpected changes in governmental policies and

regulations affecting the production, distribution, manufacture, import, export or use of medical and/or recreational cannabis, as applicable, in Israel, Canada and Germany; any unexpected failure of any of Focus Medical, TJAC or MYM to maintain in good standing or renew all required licenses, permits or authorizations to conduct cannabis activities in their respective jurisdictions; the ability of the Company, its subsidiaries and Focus Medical to maintain primary and ancillary business licenses, permits and approvals; the Company and Focus Medical having to rely on third party cannabis producers to supply Adjupharm and Focus Medical with product to successfully fulfill previously announced sales agreements and purchase commitments; any unexpected failure of any of Focus Medical, Adjupharm, Trichome or MYM to maintain in good standing or renew all required licenses, permits or authorizations to conduct cannabis activities in their respective jurisdictions; reliance on the Company's commercial facilities in Germany and Canada and Focus Medical's commercial facilities in Israel to conduct medical cannabis activities and any unexpected failure of the Company, its subsidiaries or Focus Medical to maintain such commercial facilities in good standing with all applicable regulations, including all required licenses and permits; any adverse consequences as a result of certain legal proceedings initiated by Israeli municipal authorities against Focus Medical, Oren Shuster, and certain other shareholders and stakeholders of Focus Medical (the "**Construction Proceedings**"); unexpected disruptions to the operations and businesses of the Company and/or Focus Medical as a result of the COVID-19 global pandemic or other disease outbreaks including a resurgence in the number of cases of COVID-19, and the ongoing uncertainty that could result in restrictions to contain the virus being re-imposed or imposed on a more strict basis, including restrictions on movement and businesses; unexpected consequences that may arise if Focus Medical were to lose its designation as an essential service in the State of Israel during any current or resurgent COVID-19 outbreak; the extent to which COVID-19 impacts the global economy; the success of new COVID-19 workplace policies and the ability of people to return to workplaces inconsistent public opinion and perception regarding the use of cannabis; perceived effects of medical cannabis products; conflict in Eastern Europe; and the Company's ability to maintain or improve the brand position of the IM Cannabis brand in the Israeli medical cannabis markets.

Please see the other risks, uncertainties and factors set out under the heading "Risk Factors" in the Company's annual information form dated March 31, 2022, which is available on the Company's issuer profile on SEDAR at www.sedar.com. Any forward-looking statement included in this press release is made as of the date of this press release and is based on the beliefs, estimates, expectations and opinions of management on the date such forward-looking information is made. The Company does not undertake any obligation to update forward-looking statements except as required by applicable securities laws. Investors should not place undue reliance on forward-looking statements. Forward-looking statements contained in this press release are expressly qualified by this cautionary statement.

Financial Outlook

The Company and its management believe that the estimated revenues and gross margin contained in this press release are reasonable as of the date hereof and are based on management's current views, strategies, expectations, assumptions and forecasts, and have been calculated using accounting policies that are generally consistent with the Company's current accounting policies. These estimates are considered future-oriented financial

outlooks and financial information (collectively, "FOFI") under applicable securities laws. These estimates and any other FOFI included herein have been approved by management of the Company as of the date hereof. Such FOFI are provided for the purposes of presenting information about management's current expectations and goals relating to the benefits of existing sales and supply agreements with Focus Medical and Adjupharm, increased sales in Israel through the fulfilment of Focus Medical's existing supply agreements, increased sales from the resumption of product shipments to Adjupharm and new supply agreements for medical cannabis to be received by Adjupharm in Germany, the inclusion of Panaxia, MYM and Trichome operations in the Company's financial results following closing of the respective acquisitions, additional product launches by Trichome under the WAGNERS brand and the future business of the Company. However, because this information is highly subjective and subject to numerous risks, including the risks discussed above under "Disclaimer for Forward Looking Statements", it should not be relied on as necessarily indicative of future results. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the FOFI prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Although management of IMC has attempted to identify important risks, uncertainties and factors which could cause actual results to differ materially, there may be others that cause results not to be as anticipated, estimated or intended. The Company disclaims any intention or obligation to update or revise any FOFI, whether as a result of new information, future events or otherwise, except as required by securities laws.

Non-IFRS Measures

This press release includes references to "EBITDA", "Adjusted EBITDA" and "Gross Margin", which are non-International Financial Reporting Standards ("**IFRS**") financial measures. Non-IFRS measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other companies. The Company defines EBITDA as earnings before interest, tax, depreciation and amortization. EBITDA has no direct, comparable IFRS financial measure. The Company defines adjusted EBITDA as EBITDA adjusted by removing other non-recurring or noncash items, including the unrealized change in fair value of biological assets, realized fair value adjustments on inventory sold in the period, share-based compensation expenses, depreciation of right-of-use assets, revaluation adjustments of financial assets and liabilities measured on a fair value basis and non-recurring transaction costs included in operating expenses. The Company defines gross margin as the difference between revenue and cost of goods sold divided by revenue (expressed as a percentage), prior to the effect of a fair value adjustment for inventory and biological assets. IMC has used or included these non-IFRS measures solely to provide investors with added insight into IMC's financial performance. Readers are cautioned that such non-IFRS measures may not be appropriate for any other purpose. Non-IFRS measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

| | For the year ended December 31, | | For the three months ended December 31, | |
|--|---------------------------------|------------------|---|------------------|
| | 2021* | 2020 | 2021* | 2020 |
| Operating Loss | \$(38,389) | \$(8,245) | \$(11,722) | \$(6,383) |
| Depreciation & Amortization | \$6,004 | \$930 | \$2,400 | \$258 |
| EBITDA | \$(32,385) | \$(7,315) | \$(9,322) | \$(6,125) |
| IFRS Biological assets fair value adjustments, net | \$1,586 | \$(1,659) | \$(538) | \$(2,284) |
| Share-based payments | \$7,471 | \$3,382 | \$2,117 | \$1,251 |
| Non-recurring costs related to the RTO | - | - | - | - |
| Costs related to the NASDAQ listing | \$1,296 | \$175 | \$35 | \$175 |
| Other Non-recurring costs | - | \$520 | \$(570) | \$(5) |
| Adjusted EBITDA (Non-IFRS)¹ | \$(22,032) | \$(4,897) | \$(8,278) | \$(2,420) |

*Acquisition costs, in the amount of \$4,359 and \$32 for the twelve and three months ended December 31, 2021, respectively, have not been adjusted in the above-mentioned table. Had these non-operational acquisition costs been adjusted, the Company's Adjusted EBITDA for the twelve and three months ended December 31, 2021, would have been \$(17,673) and \$(8,246), respectively.

| | For the year ended December 31, | | For the three months ended December 31, | |
|---------------------------------|---------------------------------|-----------|---|---------|
| | 2021 | 2020 | 2021 | 2020 |
| Net cash provided by (used in): | | | | |
| Operating activities | \$(34,372) | \$(7,919) | \$4,762 | \$(535) |
| Investing activities | \$(9,012) | \$(4,075) | \$(7,082) | \$(838) |
| Financing activities | \$48,731 | \$6,740 | \$2,794 | \$502 |
| Effect of foreign exchange | \$(329) | \$213 | \$(3,687) | \$19 |
| Increase (Decrease) in cash | \$5,018 | \$(5,041) | \$(3,213) | \$(852) |

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian Dollars in thousands

| | December 31, | |
|---------------------------------------|---------------------|------------------|
| | 2021 | 2020 |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 13,903 | \$ 8,885 |
| Restricted deposit | 1 | 18 |
| Trade receivables | 16,711 | 5,501 |
| Advances to suppliers | 2,300 | 3,602 |
| Other accounts receivable | 14,481 | 689 |
| Investments and financial instruments | 3,129 | - |
| Loans receivable | 2,708 | - |
| Biological assets | 1,687 | 78 |
| Inventories | 29,391 | 8,370 |
| | <u>84,311</u> | <u>27,143</u> |
| NON-CURRENT ASSETS: | | |
| Property, plant and equipment, net | 30,268 | 5,532 |
| Investments | 2,429 | 2,341 |
| Derivative assets | 14 | - |
| Right-of-use assets, net | 18,162 | 935 |
| Deferred tax assets, net | 16 | 769 |
| Intangible assets, net | 30,885 | 1,092 |
| Goodwill | 121,303 | 304 |
| | <u>203,077</u> | <u>10,973</u> |
| Total assets | <u>\$ 287,388</u> | <u>\$ 38,116</u> |

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian Dollars in thousands

| | December 31, | |
|--|---------------------|------------------|
| | 2021 | 2020 |
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES: | | |
| Trade payables | \$ 13,989 | \$ 2,605 |
| Bank loans | 9,502 | - |
| Other accounts payable and accrued expenses | 20,143 | 3,497 |
| Accrued purchase consideration liabilities | 6,039 | - |
| Current maturities of operating lease liabilities | 1,554 | 167 |
| | <u>51,227</u> | <u>6,269</u> |
| NON-CURRENT LIABILITIES: | | |
| Warrants measured at fair value | 6,022 | 16,540 |
| Operating lease liabilities | 17,820 | 823 |
| Long-term loans | 392 | - |
| Employee benefit liabilities, net | 391 | 371 |
| Deferred tax liability | 6,591 | 1,503 |
| | <u>31,216</u> | <u>19,237</u> |
| Total liabilities | <u>82,443</u> | <u>25,506</u> |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY: | | |
| Share capital and premium | 237,677 | 37,040 |
| Treasury Stock | (660) | - |
| Translation reserve | 2,614 | 1,229 |
| Reserve from share-based payment transactions | 12,348 | 5,829 |
| Accumulated deficit | (50,743) | (33,001) |
| Total equity attributable to shareholders of the Company | <u>201,236</u> | <u>11,097</u> |
| Non-controlling interests | 3,709 | 1,513 |
| Total equity | <u>204,945</u> | <u>12,610</u> |
| Total equity and liabilities | <u>\$ 287,388</u> | <u>\$ 38,116</u> |

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

Canadian Dollars in thousands

| | Year ended December 31, | |
|--|----------------------------|-------------|
| | 2021 | 2020 |
| Revenues | \$ 54,300 | \$ 15,890 |
| Cost of revenues | 42,418 | 7,081 |
| Gross profit before fair value adjustments | 11,882 | 8,809 |
| Fair value adjustments: | | |
| Unrealized change in fair value of biological assets | 7,210 | 11,781 |
| Realized fair value adjustments on inventory sold in the year | (8,796) | (10,122) |
| Total fair value adjustments | (1,586) | 1,659 |
| Gross profit after fair value adjustments | 10,296 | 10,468 |
| General and administrative expenses | 32,219 | 11,549 |
| Selling and marketing expenses | 8,995 | 3,782 |
| Share-based compensation | 7,471 | 3,382 |
| Total operating expenses | 48,685 | 18,713 |
| Operating loss | (38,389) | (8,245) |
| Finance income | 22,024 | 277 |
| Finance expenses | (1,648) | (20,504) |
| Finance income (expense), net | 20,376 | (20,227) |
| Loss before income taxes | (18,013) | (28,472) |
| Income tax expense | 505 | 262 |
| Net Loss | (18,518) | (28,734) |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods: | | |
| Remeasurement gain (loss) on defined benefit plans | 21 | (30) |
| Exchange differences on translation to presentation currency | 858 | 1,144 |
| Total other comprehensive income that will not be reclassified to profit or loss in subsequent periods | 879 | 1,114 |
| Other comprehensive income that will be reclassified to profit or loss in subsequent periods: | | |
| Adjustments arising from translating financial statements of foreign operation | 530 | (124) |
| Total other comprehensive income that will be reclassified to profit or loss in subsequent periods | 530 | (124) |
| Total other comprehensive income | 1,409 | 990 |
| Total comprehensive loss | \$ (17,109) | \$ (27,744) |

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

Canadian Dollars in thousands, except per share data

| | Year ended December 31, | |
|--|----------------------------|--------------------|
| | 2021 | 2020 |
| Net loss attributable to: | | |
| Equity holders of the Company | \$ (17,763) | \$ (28,698) |
| Non-controlling interests | (755) | (36) |
| | <u>\$ (18,518)</u> | <u>\$ (28,734)</u> |
| Total comprehensive income (loss) attributable to: | | |
| Equity holders of the Company | (16,357) | (27,808) |
| Non-controlling interests | (752) | 64 |
| | <u>\$ (17,109)</u> | <u>\$ (27,744)</u> |
| Net loss per share attributable to equity holders of the Company: | | |
| Basic | \$ (0.31) | \$ (0.74) |
| Diluted | <u>\$ (0.66)</u> | <u>\$ (0.74)</u> |

CONSOLIDATED STATEMENTS OF CASH FLOWS

Canadian Dollars in thousands

| | Year ended December 31, | |
|---|----------------------------|-------------------|
| | 2021 | 2020 |
| <u>Cash provided from operating activities:</u> | | |
| Net loss | \$ (18,518) | \$ (28,734) |
| Adjustments for non-cash items: | | |
| Unrealized gain on changes in fair value of biological assets | (7,210) | (11,781) |
| Fair value adjustment on sale of inventory | 8,796 | 10,122 |
| Fair value adjustment on Warrants, Investments, and Accounts Receivable | (21,638) | 20,155 |
| Depreciation of property, plant and equipment | 3,021 | 690 |
| Amortization of intangible assets | 1,158 | 31 |
| Depreciation of right-of-use assets | 1,550 | 209 |
| Impairment of goodwill | 275 | - |
| Finance income, net | 1,262 | 72 |
| Deferred tax benefit | 278 | (66) |
| Share-based payments expenses | 7,471 | 3,382 |
| Share based acquisition costs related to business combination | 807 | - |
| | <u>(4,230)</u> | <u>22,814</u> |
| Changes in non-cash working capital: | | |
| Increase in trade receivables, net | (6,602) | (3,534) |
| Increase in other accounts receivable and advances to suppliers | 845 | (1,029) |
| Decrease in biological assets, net of fair value adjustments | 6,412 | 11,771 |
| Increase in inventories, net of fair value adjustments | (19,707) | (12,729) |
| Increase in trade payables | 5,573 | 2,135 |
| Changes in employee benefit liabilities, net | 28 | 59 |
| Increase in other accounts payable and accrued expenses | 2,661 | 1,929 |
| | <u>(10,790)</u> | <u>(1,398)</u> |
| Taxes paid | <u>(834)</u> | <u>(601)</u> |
| Net cash used in operating activities | <u>(34,372)</u> | <u>(7,919)</u> |
| <u>Cash flows from investing activities:</u> | | |
| Purchase of property, plant and equipment | (4,578) | (2,617) |
| Proceeds from loans receivable | 7,796 | - |
| Purchase of intangible assets | (17) | (93) |
| Acquisition of subsidiaries | (12,536) | - |
| Investments in associates | (13) | (1,347) |
| Proceeds from sale of investment | 319 | - |
| Proceeds from (investment in) restricted deposits | 17 | (18) |
| Net cash used in investing activities | <u>\$ (9,012)</u> | <u>\$ (4,075)</u> |

CONSOLIDATED STATEMENTS OF CASH FLOWS

Canadian Dollars in thousands

| | Year ended December 31, | |
|---|----------------------------|-----------------|
| | 2021 | 2020 |
| <u>Cash provided by financing activities:</u> | | |
| Proceeds from issuance of share capital, net of issuance costs | \$ 28,131 | \$ - |
| Proceeds from issuance of warrants measured at fair value | 11,222 | - |
| Proceeds from exercise of warrants and compensation options | 3,682 | 6,378 |
| Proceeds from exercise of options | 133 | 612 |
| Repayment of lease liability | (633) | (182) |
| Repayment of lease liability interest | (1,347) | (68) |
| Proceeds from bank loan | 7,804 | - |
| Interest paid in respect of loans | (261) | - |
| Net cash provided by financing activities | <u>48,731</u> | <u>6,740</u> |
| Effect of foreign exchange on cash and cash equivalents | (329) | 213 |
| Increase (decrease) in cash and cash equivalents | 5,018 | (5,041) |
| Cash and cash equivalents at beginning of year | <u>8,885</u> | <u>13,926</u> |
| Cash and cash equivalents at end of year | <u>\$ 13,903</u> | <u>\$ 8,885</u> |
| <u>Supplemental disclosure of non-cash activities:</u> | | |
| Right-of-use asset recognized with corresponding lease liability | \$ 1,678 | \$ 107 |
| Conversion of warrant and compensation options into common shares | <u>\$ 611</u> | <u>\$ 3,873</u> |

CONSOLIDATED STATEMENTS OF CASH FLOWS

Canadian Dollars in thousands

Schedule A - Acquisition of TFC:

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

| | |
|---|-----------------|
| Working capital (excluding cash and cash equivalents) | \$ 9,427 |
| Investments | 319 |
| Property, plant and equipment | 15,193 |
| Right of use assets | 15,037 |
| Lease liability | (15,037) |
| Intangible assets | 6,458 |
| Goodwill | 67,269 |
| Common shares issued upon the acquisition | <u>(99,028)</u> |
| | <u>\$ (362)</u> |

Schedule B - Acquisition of Panaxia:

The assets and liabilities at date of acquisition:

| | |
|--|-----------------|
| Inventory | \$ 19 |
| Accrued purchase consideration liability | (126) |
| Investments | 2,837 |
| Property, plant and equipment | 88 |
| Intangible assets | 776 |
| Goodwill | <u>3,240</u> |
| | <u>\$ 6,834</u> |

Schedule C - Acquisition of MYM:

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

| | |
|---|-----------------|
| Working capital (excluding cash and cash equivalents) | \$ 4,471 |
| Loan payables | (915) |
| Property, plant and equipment and right of use assets | 6,735 |
| Lease liability | (873) |
| Deferred tax liability | (4,061) |
| Intangible assets | 17,200 |
| Goodwill | 39,932 |
| Common shares issued upon the acquisition | (62,620) |
| | <u>\$ (131)</u> |

Schedule D - Acquisition of Pharm Yarok:

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

| | |
|---|-----------------|
| Working capital deficit (excluding cash and cash equivalents) | \$ (646) |
| Accrued purchase consideration liability | (1,332) |
| Property, plant and equipment | 1,145 |
| Long-term loans | (1,042) |
| Deferred tax liability | (224) |
| Intangible assets | 974 |
| Goodwill | 4,294 |
| | <u>\$ 3,169</u> |

Schedule E - Acquisition of Vironna:

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

| | |
|---|-----------------|
| Working capital (excluding cash and cash equivalents) | \$ 44 |
| Accrued purchase consideration liability | (1,855) |
| Property, plant and equipment | 210 |
| Deferred tax liability | (532) |
| Intangible assets | 2,316 |
| Goodwill | 2,250 |
| Non-controlling interest | (1,026) |
| | <u>\$ 1,407</u> |

Schedule F - Acquisition of Oranim:

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

| | |
|---|-----------------|
| Working capital deficit (excluding cash and cash equivalents) | \$ 595 |
| Accrued purchase consideration liability | (2,726) |
| Property, plant and equipment | 389 |
| Right of use assets | 1,312 |
| Lease liability | (1,312) |
| Intangible assets | 2,991 |
| Deferred tax liability | (688) |
| Goodwill | 2,907 |
| Non-controlling interest | (1,849) |
| | <u>\$ 1,619</u> |

[1] Before fair value impacts in cost of sales

[2] For an explanation of this metric, please refer to the section of this press release titled "Non-IFRS Financial Metrics"

³ *Ontario Cannabis Store, Power BI.*

View original content: <https://www.prnewswire.com/news-releases/im-cannabis-reports-record-fourth-quarter-and-fiscal-year-2021-financial-results-and-provides-first-quarter-2022-outlook-301514748.html>

SOURCE IM Cannabis Corp.