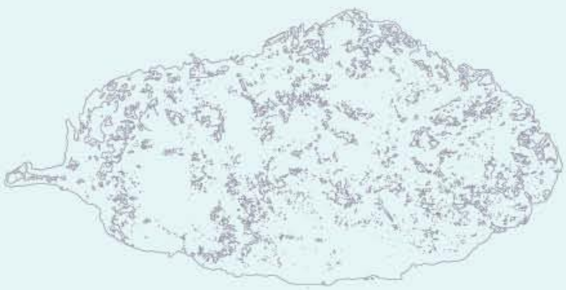
IM CANNABIS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2024

CANADIAN DOLLARS IN THOUSANDS



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Fahn Kanne Grant Thornton

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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Board of Directors and Shareholders
IM Cannabis Corp.

Opinion on the consolidated financial statements

We have audited the accompanying consolidated statement of financial position of IM Cannabis Corp. and its subsidiaries (the "Company"), as of December 31, 2024 and the related consolidated statements of operations and other comprehensive loss, changes in the shareholders' equity and cash flows for the year 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 as of December 31, 2024 and the results of its operations and its cash flows for the year then ended, in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

Uncertainty Related to Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1B to the consolidated financial statements, the Company has experienced losses from operations and negative cash flows from continuing activities. These events or conditions, along with other matters as set forth in Note 1B, indicate that a uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified in respect of this matter.

Basis for Opinion

These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (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 audit 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 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 audit 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 audit 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 audit provide a reasonable basis for our opinion.

/s/ FAHN KANNE & CO. GRANT THORNTON ISRAEL

FAHN KANNE & CO. GRANT THORNTON ISRAEL

We have served as the Company's auditor since 2025.

Tel Aviv, Israel
March 31, 2025

Building a better working world

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

to the Shareholders and Board of directors of

IM CANNABIS CORP. and its subsidiaries

Opinion on the consolidated financial statements

We have audited the accompanying consolidated statement of financial position of IM Cannabis Corp. (the "Company") and its subsidiaries (collectively, the "Group"), as of December 31, 2023 and the related consolidated statements of operations and other comprehensive loss, changes in the shareholders' equity and cash flows for each of the two years in the period ended December 31, 2023, 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 Group as of December 31, 2023 and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2023, in with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

The Group's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern. As discussed in Note 1B to the consolidated financial statements, the Group has experienced losses from operations and negative cash flows from continuing activities that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters are also described in Note 1B. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on the Group's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Group 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 Group is not required to have, nor were we engaged to perform, an audit of its over financial reporting. As part of our audits, 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 Group'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.

/s/ KOST FORER GABBAY & KASIERER

KOST FORER GABBAY & KASIERER

A Member of Ernst & Young Global

We have served as the Company's auditor since 2018 through 2025.

Tel Aviv, Israel
March 28, 2024

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian Dollars in thousands

	Note	December 31, 2024	December 31, 2023
ASSETS			
CURRENT ASSETS:			
Cash		$ 863	$ 1,813
Restricted cash deposit		64	-
Trade receivables	5	13,803	7,651
Other current assets	6	5,419	4,825
Inventory	7	3,215	9,976
		23,364	24,265
NON-CURRENT ASSETS:			
Investments in affiliate	8	1,631	2,285
Property, plant and equipment, net	9	3,730	5,058
Intangible assets, net	10	3,333	5,803
Goodwill	10	6,679	10,095
Right-of-use assets, net	11	451	1,307
		15,824	24,548
Total assets		$ 39,188	$ 48,813

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian Dollars in thousands

	Note	December 31, 2024	December 31, 2023
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Current maturities of operating lease liabilities	11	$ 262	$ 454
Trade payables	12	11,159	9,223
Other current liabilities	13	5,001	6,218
Credit from bank institutions and others	14	15,145	12,119
Convertible debentures	15	1,968	-
Derivative warrants liabilities and prefunded warrants	16	1,383	(*)38
Accrued purchase consideration liability	19F	-	2,097
Put option liability	19F	-	2,697
		34,918	32,846
NON-CURRENT LIABILITIES:			
Operating lease liabilities	11	171	815
Credit from bank institutions and others	14	466	394
Employee benefit liabilities, net		-	95
Deferred tax liabilities		487	963
		1,124	2,267
Total liabilities		36,042	35,113
CONTINGENT LIABILITIES	17		
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY:	18		
Share capital and premium		265,000	253,882
Capital reserve from translation differences of foreign operations		(1,265)	95
Conversion feature related to convertible debentures	15	297	-
Capital reserve from share-based payment transactions		150	9,637
Accumulated deficit		(258,939)	(249,145)
Total equity attributable to shareholders of the Company		5,243	14,469
Non-controlling interests		(2,097)	(769)
Total shareholders' equity		3,146	13,700
Total shareholders' equity and liabilities		$ 39,188	$ 48,813

(*) Reclassified due to implementation of amendment to IAS 1. See Note 3W1 below.

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

March 31, 2025	/s/ Oren Shuster	/s/ Moti Marcus	/s/ Uri Birenberg
Date of approval of the financial statements	Oren Shuster Chief Executive Officer and Chairman of the Board	Moti Marcus Chairman of the Audit Committee	Uri Birenberg Chief Financial Officer

CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE LOSS

Canadian Dollars in thousands

	Note	Year ended December 31, 2024	2023	2022
Revenue	19A	$ 54,031	$ 48,804	$ 54,335
Cost of revenue	19B	45,580	37,974	43,044
Gross profit before fair value adjustments		8,451	10,830	11,291
Fair value adjustments:				
Unrealized change in fair value of biological assets		-	-	(315)
Realized fair value adjustments on inventory sold or impaired		-	(984)	(1,814)
Total fair value adjustments		-	(984)	(2,129)
Gross profit after fair value adjustments		8,451	9,846	9,162
Selling and marketing expenses	19C	7,069	10,788	11,473
General and administrative expenses	19D	8,018	11,008	21,460
Restructuring expenses	19E	-	617	4,383
Other expenses	19F	3,229	-	-
Share-based compensation	18C	369	225	2,637
Total operating expenses		18,685	22,638	39,953
Operating loss		(10,234)	(12,792)	(30,791)
Finance income		1,906	7,006	6,703
Finance expenses		(4,466)	(3,671)	(1,972)
Finance income (expense), net		(2,560)	3,335	4,731
Loss before taxes on income (tax benefit)		(12,794)	(9,457)	(26,060)
Taxes on income (tax benefit)	20	(1,023)	771	(1,138)
Net loss from continuing operations		(11,771)	(10,228)	(24,922)
Net loss from discontinued operations, net of tax	21	-	-	(166,379)
Net loss		(11,771)	(10,228)	(191,301)

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

CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE LOSS

Canadian Dollars in thousands, except per share data

	Note	Year ended December 31, 2024	2023 (*)	2022 (*)
Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:				
Remeasurement gain on defined benefit plans		67	38	59
Total other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods		67	38	59
Other comprehensive income (loss) that will be reclassified to profit or loss in subsequent periods:				
Adjustments arising from translation of financial statements of foreign operations		(1,502)	(663)	(1,484)
Total other comprehensive loss		(1,435)	(625)	(1,425)
Total comprehensive loss		$ (13,206)	$ (10,853)	$ (192,726)
Net loss attributable to:				
Shareholders of the Company		$ (10,585)	$ (9,498)	$ (188,890)
Non-controlling interests		(1,186)	(730)	(2,411)
		$ (11,771)	$ (10,228)	$ (191,301)
Total comprehensive loss attributable to:				
Shareholders of the Company		$ (11,878)	$ (10,648)	$ (190,162)
Non-controlling interests		$ (1,328)	$ (205)	(2,564)
		$ (13,206)	$ (10,853)	$ (192,726)
Loss per share attributable to shareholders of the Company from continuing operations:	22			
Basic loss per share (in CAD)		$ (4.51)	$ (4.45)	$ (18.81)
Diluted loss per share (in CAD)		$ (4.51)	$ (4.45)	$ (22.86)
Loss per share attributable to shareholders of the Company from discontinued operations:				
Basic and diluted loss per share (in CAD)		-	-	$ (139.02)
Loss per share attributable to shareholders of the Company from net loss:				
Basic loss per share (in CAD)		$ (4.51)	$ (4.45)	$ (157.83)
Diluted loss per share (in CAD)		$ (4.51)	$ (4.45)	$ (161.88)

(*) Loss per share includes the effect of Reverse Share Split (see also Note 18A below).

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Canadian Dollars in thousands

	Share capital and premium	Treasury shares	Capital reserve from share-based payment transactions	Capital reserve from translation difference of foreign operations	Accumulated deficit	Total	Non-controlling interests	Total Shareholders' equity
Balance as of January 1, 2022	$ 237,677	$ (660)	$ 12,348	$ 2,614	$ (50,743)	$ 201,236	$ 3,709	$ 204,945
Net loss	-	-	-	-	(188,890)	(188,890)	(2,411)	(191,301)
Total other comprehensive income (loss)	-	-	-	(1,331)	59	(1,272)	(153)	(1,425)
Total comprehensive loss	-	-	-	(1,331)	(188,831)	(190,162)	(2,564)	(192,726)
Common shares issued as settlement of purchase consideration through business combination transactions (Notes 18B1-18B3)	3,061	-	-	-	-	3,061	-	3,061
Issuance of treasury common shares	-	660	-	-	-	660	-	660
Common shares issued through private placements transactions, net of issuance costs (Note 18B4)	3,757	-	-	-	-	3,757	-	3,757
Common shares issued upon options exercised (Note 18B9)	992	-	(659)	-	-	333	-	333
Share-based compensation	-	-	3,767	-	-	3,767	-	3,767
Expired options	289	-	(289)	-	-	-	-	-
Balance as of December 31, 2022	$ 245,776	$ -	$ 15,167	$ 1,283	$ (239,574)	$ 22,652	$ 1,145	$ 23,797

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Canadian Dollars in thousands

	Share capital and premium	Capital reserve from share-based payment transactions	Capital reserve from translation difference of foreign operations	Accumulated deficit	Total	Non-controlling interests	Total Shareholders' equity
Balance as of January 1, 2023	$ 245,776	$ 15,167	$ 1,283	$ (239,574)	$ 22,652	$ 1,145	$ 23,797
Net loss	-	-	-	(9,498)	(9,498)	(730)	(10,228)
Total other comprehensive income (loss)	-	-	(1,188)	38	(1,150)	525	(625)
Total comprehensive loss	-	-	(1,188)	(9,460)	(10,648)	(205)	(10,853)
Common shares issued through private placements transactions, net of issuance costs (Note 18B5)	1,738	-	-	-	1,738	-	1,738
Common shares issued as debts settlement with related party (Note 18B6)	613	-	-	-	613	-	613
Other comprehensive loss classification	-	-	-	(111)	(111)	(1,709)	(1,820)
Share-based compensation	-	225	-	-	225	-	225
Expired options	5,755	(5,755)	-	-	-	-	-
Balance as of December 31, 2023	$ 253,882	$ 9,637	$ 95	$ (249,145)	$ 14,469	$ (769)	$ 13,700

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Canadian Dollars in thousands

	Share capital and premium	Capital reserve from share-based payment transactions	Conversion option for convertible debt	Capital reserve from translation difference of foreign operations	Accumulated deficit	Total	Non-controlling interests	Total Shareholders' equity
Balance as of January 1, 2024	$ 253,882	$ 9,637	$ -	$ 95	$ (249,145)	$ 14,469	$ (769)	$ 13,700
Net loss	-	-	-	-	(10,585)	(10,585)	(1,186)	(11,771)
Total other comprehensive income (loss)	-	-	-	(1,360)	67	(1,293)	(142)	(1,435)
Total comprehensive loss	-	-	-	(1,360)	(10,518)	(11,878)	(1,328)	(13,206)
Common shares issued through private placement transaction, net of issuance costs (Note 18B7)	944	-	-	-	-	944	-	944
Common shares issued as share-based compensation with related party (Note 18B8)	318	-	-	-	-	318	-	318
Recognition of conversion feature related to convertible debentures (Note 15)	-	-	297	-	-	297	-	297
Other comprehensive loss classification	-	-	-	-	724	724	-	724
Share-based compensation	-	369		-	-	369	-	369
Expired and exercised options	9,856	(9,856)	-	-	-	-	-	-
Balance as of December 31, 2024	$ 265,000	$ 150	$ 297	$ (1,265)	$ (258,939)	$ 5,243	$ (2,097)	$ 3,146

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, 2024	2023	2022
Cash flows used in operating activities:			
Net loss	$ (11,771)	$ (10,228)	$ (191,301)
Adjustments for non-cash items:			
Unrealized gain on changes in fair value of biological assets	-	-	(84)
Realized fair value adjustments on inventory sold or impaired	-	984	4,342
Revaluation of financial instruments	(249)	(7,223)	(6,000)
Issuance costs allocated to warrants granted	48	268	-
Disposal of property, plant and equipment	235	-	-
Common shares and prefunded warrants issued as share-based compensation with related party	758	-	-
Discount expenses in respect of convertible debentures	173	-	-
Depreciation of property, plant and equipment	456	644	3,044
Amortization of intangible assets	1,377	1,758	2,343
Depreciation of right of use assets	351	594	1,944
Impairment of goodwill	495	-	107,854
Impairment of property, plant and equipment	-	-	2,277
Impairment of intangible assets	-	-	7,199
Impairment of right of use assets	-	-	1,914
Finance income, net	1,928	3,019	6,532
Deferred tax payments (benefit), net	(150)	394	(3,004)
Share-based payments	369	225	3,767
Revaluation of other current receivable	-	-	3,982
Loss from deconsolidation of Oranim	2,734	-	-
Restructuring expenses	-	-	8,757
Revaluation expenses of investment in affiliate	837	-	-
Revaluation expenses (income) of loans receivables	(177)	601	-
Changes in employee benefit liabilities, net	(96)	(139)	(63)
Gain from debts restructuring	(960)	-	-
Discount expenses in respect of credit	87	-	-
	8,216	1,125	144,804
Changes in non-cash working capital:			
Increase (decrease) in trade receivables	(6,287)	2,320	6,058
Increase in other current assets	1,902	1,299	3,622
Decrease in biological assets, net of fair value adjustments	-	-	565
Increase in inventory, net of fair value adjustments	6,261	4,771	883
Increase (decrease) in trade payables	7,845	(6,098)	11,284
Increase (decrease) in other current liabilities	(7,147)	(750)	12,126
	2,574	1,542	34,538
Taxes paid	(96)	(514)	(681)
Net cash used in operating activities	(1,077)	(8,075)	(12,640)

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,		
	2024	**2023**	**2022**
Cash flows used in investing activities:			
Purchase of property, plant and equipment	(156)	(581)	(1,562)
Proceeds from sales of property, plant and equipment	96	-	210
Proceeds from loans receivable	-	-	350
Deconsolidation of subsidiary	(346)	-	(406)
Investments in affiliate	-	-	(125)
Loan granted	-	(601)	-
Change in restricted cash	(64)	-	-
Net cash used in investing activities	(470)	(1,182)	(1,533)
Cash provided by financing activities:			
Proceeds allocated to issuance of share capital, net of issuance costs	944	1,688	3,756
Proceeds allocated to issuance of warrants measured at fair value, net of issuance costs	1,106	6,585	-
Proceeds received from common shares issued upon options exercised	-	-	333
Repayment of lease liabilities	(331)	(586)	(1,656)
Payment of interest on lease liabilities	(52)	(63)	(1,429)
Proceeds from loans received	2,619	5,482	9,636
Repayment of loans	(3,834)	(4,827)	(4,976)
Interest paid	(2,080)	(1,664)	(902)
Proceeds received from discounted checks	5,453	2,802	-
Net cash provided by financing activities	3,825	9,417	4,762
Effect of foreign exchange on cash	(3,228)	(796)	(2,043)
Change in cash	(950)	(636)	(11,454)
Cash at the beginning of year	1,813	2,449	13,903
Cash at the end of year	$ 863	$ 1,813	$ 2,449
Supplemental disclosure of non-cash activities:			
Right of use assets recognized with corresponding lease liabilities	$ 40	$ 309	$ 613
Common shares issued as settlement of purchase consideration through business combination transactions	$ -	$ -	$ 3,061
Common shares and prefunded warrants issued as debts settlement with related party	$ 758	$ -	$ -
Common shares and warrants issued as debts settlement with related party	$ -	$ 1,061	$ -
Issuance of convertible debentures in exchange for loans (principal and interest) received	$ 2,092	$ -	$ -
Revaluation of put option liability versus equity	$ 724	$ 1,820	$ -

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

The Company and its subsidiaries (collectively, the "Group") operate as one reporting unit in geographical reporting segments (see also Note 23 below). Most of the Group's revenue is generated from sales of medical cannabis products to customers in Israel and Germany. The remaining revenue is generated from sales of other products to customers in Israel and Germany.

In Israel, IMCC operates in the field of medical cannabis through Focus Medical Herbs Ltd. ("Focus"), which held a cultivation license to breed, grow, and supply medical cannabis products in Israel under the regulations of medical cannabis by the Israeli Ministry of Health through its Israel Medical Cannabis Agency ("IMCA") until July 2022. In July 2022, Focus closed its cultivation facility and received an IMCA license, which allows it to import cannabis products and proceed with its supply activity. All its operations are performed pursuant to the Israeli Dangerous Drugs Ordinance (New Version), 1973 (the "Dangerous Drugs Ordinance"), and the related regulations issued by IMCA.

In 2021, IMCC also entered the field of retail medical cannabis and other pharmaceutical products in Israel through the acquisition of several pharmacies and trade houses specializing in medical cannabis, including the pharmacies of Rivoly Trading and Marketing Ltd. ("Vironna"), R.A. Yarok Pharm Ltd. ("Yarok Pharm") and Oranim Plus Pharm Ltd. ("Oranim") (which was de-consolidated in 2024, see below) and the trade houses of Panaxia and Rosen High Way Ltd. ("Rosen").

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

In Canada, IMCC actively operated until recently through Trichome Financial Corp. and its wholly owned subsidiaries Trichome JWC Acquisition Corp. ("TJAC") and MYM Nutraceuticals Inc. ("MYM") (collectively, "Trichome" or the "Canadian entities"). The Canadian entities are federally licensed producers of cannabis products in the adult-use recreational cannabis market in Canada. IMCC has exited its operations in Canada and deconsolidated Trichome on November 7, 2022, and presented such operations as discontinued operations (see also Note 21 below).

In 2024, the Company reached to agreement with the seller under which the rights in Oranim have been returned along with the revocation of the transaction. Consequently, IMCC has deconsolidated Oranim on April 15, 2024 pursuant to IFRS (see also Note 19F1 below).

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.

NOTE 1 - GENERAL (Cont.)

B. Liquidity and capital resources and going concern

The Company devotes substantially all its efforts to commercialization of its medical cannabis products, which are expected to require substantial further expenditures. Thus, the Company is raising capital for such purposes. As of December 31, 2024, the Group has cash on hand, negative working capital and accumulated deficit of $863, $11,554 and $258,939, respectively. In addition, during the year ended December 31, 2024, the Group had a loss from continuing operations and negative cash flows from continuing operating activities of $11,771 and $1,077, respectively.

During the reported periods, the Group's operating expenses include various assumptions concerning the level and timing of cash receipts from sales and cash outlays for operating expenses and capital expenditures, of which the Company executed a cost saving plan, to allow the continuing of its operations and meet its cash obligations. The cost saving plan consists of cost reduction due to efficiencies and synergies, which include mainly (i) discontinued operations of loss-making activities (see Note 21 for disposal of Trichome Group), (ii) reduction in payroll and headcount, (iii) reduction in compensation paid to key management personnel (including layoffs of key executives) and (iv) operational efficiencies and reduced capital expenditures (see restructuring below).

Management plans to finance its operations through sales of its medical cannabis products in Israel and on a larger scale in the German territory, resulting from Germany's legalization of cannabis on April 1, 2024, which facilitates the access to medical cannabis prescriptions for patients and legalizes non-profit social clubs starting July 1, 2024 and through sales of equity and/or raising debts. However, there is no assurance that additional capital and financing will be available to the Group, and even if available, whether it will be on terms acceptable to the Group or in the required amounts.

For more information regarding debts and capital transactions, see Note 14 and 18 below, respectively.

For more information regarding subsequent events transactions that include, inter alia, sale of rights in Telecana, extension of the maturity date of certain debts and refinancing of terms of loan received from commercial bank, see Note 26 below.

These conditions raise uncertainties which cast significant doubt as to whether the Company will be able to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of assets or liabilities that might be necessary should the Company be unable to continue as a going concern.

C. Impact of continued interest rate on the Group's business activity

Following macroeconomic developments around the world that have taken place in recent years, there has been an increase in inflation rates in Israel and around the world. As part of the steps taken to curb the rise in prices, central banks around the world, including the Bank of Israel, began to raise the interest rate.

The increase in the interest rate has a negative impact on the Company due to its liabilities towards bank institution and others that bear an interest rate at a variable rate. For more information regarding variable interest rates of loans received from bank institution and others, see Note 14 below.

NOTE 1 - GENERAL (Cont.)

D. Impact of the 'Iron Swords' war on the Group's business activity

On October 7, 2023, the State of Israel was attacked by the Hamas terrorist organization, and as a result, the State of Israel declared a state of war and a large-scale mobilization of reserves (the “War”) which is an exceptional event with security and economic ramifications, the scope and outcome of which are unpredictable. As a result, the State of Israel has taken significant steps to maintain the security of the residents of Israel, who have a significant impact on economic and business activity in the country. The events of the War led to a reduction in business activity in the economy and a significant slowdown in economic activity, while affecting the business activity of entities in various spheres of influence. In addition, the state of hostilities also affects the activities of entities that rely on foreign workers or workers recruited for the fighting, international trade, foreign companies in Israel, civilian airlines, and more.

The Company's management regularly monitors developments and acts in accordance with the instructions of the various authorities. The Company suffered a negative impact in the last quarter of 2023 and in 2024. The Company believes that it will have a potential positive effect in the medium to long term. The Company has experienced damage to its ability to function, affecting various aspects, including employees, supplies, imports, sales, and more.

NOTE 2 - BASIS OF PRESENTATION

A. Statement of Compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS Accounting Standards"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

These financial statements of the Company for the year ended December 31, 2024, have been prepared by management using the material accounting policies described in Note 3 below and were authorized for issuance in accordance with a resolution of the Board on March 30, 2025.

B. Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis, except for provisions, deferred tax liabilities and financial instruments presented at fair value through profit or loss. In addition, these audited financial statements have been prepared using the accrual basis of accounting. The material accounting policies set out below have been applied consistently to the period presented in these audited financial statements.

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

C. Use of Significant Accounting Estimates and Assumptions and Judgements

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make accounting estimates and assessments that involve use of judgment and that affect the amounts of assets and liabilities presented in the financial statements, the disclosure of contingent assets and liabilities at the dates of the financial statements, the amounts of revenue and expenses during the reporting period and the accounting policies adopted by the Company. Actual results could differ from those estimates.

For information regarding significant estimates and considerations which embody significant sensitivity to future events, see Note 4 below.

D. The Functional Currency and the Presentation Currency

The Company prepares its financial statements in accordance with the currency of the country and principal economic environment in which it operates, that constitutes the functional currency from which it is primarily affected (the "Functional Currency"). Management has determined that the Functional Currency of the Group is the Canadian dollar ("CAD" or "$").

The Group's financial statements are presented in CAD. Consequently, in accordance with IAS 21, "Accounting for Foreign Exchange Rates", results of operations of each Group entity were translated into CAD using the actual action date currency rate and assets and liabilities were translated into CAD using currency rates at period end. Foreign currency translation adjustments are recorded as a component of accumulated other comprehensive income (loss) within shareholders' equity.

Upon 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 (loss) is transferred to profit or loss.

Canadian Dollars in thousands, except share and per share data

NOTE 3 - MATERIAL ACCOUNTING POLICIES

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

A. Consolidated financial statements

The consolidated financial statements comprise of the financial statements of companies controlled by the Company. 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.

The financial statements of the Company and its subsidiaries are prepared on 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 fully eliminated in the consolidated financial statements.

As of December 31, 2024 and 2023, major subsidiaries over which the Company has control, directly or indirectly, include:

	Percentage ownership	
Subsidiaries	**2024**	**2023**
I.M.C. Holdings Ltd.	100%	100%
Focus Medical Herbs Ltd. (*)	74%	74%
I.M.C. Farms Israel Ltd. (****)	100%	100%
Oranim Plus Pharm Ltd. (**)	51%	51%
Oranim Pharm (**)	100%	100%
IM Cannabis Holding NL B.V (***)	100%	100%
Adjupharm GmbH	90.02%	90.02%
I.M.C. Pharma Ltd.	100%	100%
I.M.C.C. Medical Herbs Ltd. (*****)	100%	100%
R.A. Yarok Pharm Ltd.	100%	100%
Rosen High Way Ltd.	100%	100%
Revoly Trading and Marketing Ltd.	51%	51%

(*) IMC Holdings held an option to acquire from main shareholders of the company an ownership which represents a rate of 74% of the voting rights in Focus (the "Option"). According to accounting criteria in IFRS 10, IMC Holdings is viewed as effectively exercising control over Focus, and thus the financial results of Focus were consolidated with those of the Group. On February 26, 2024, the Option was fully exercised and the Company holds 74% of the voting rights in Focus. In September 2024, the Board approved the purchasing of the remaining 26% of the voting rights in Focus from Ewave, pending all necessary organizational and regulatory approvals.

(**) Was deconsolidated effective April 15, 2024 (see also Note 19F below).

(***) Inactive entity.

(****) On January 8, 2025, the Israeli Companies Registrar approved the liquidation status which shall be completed 100 days from the approval date.

(*****) On January 13, 2025, the Israeli Companies Registrar approved the liquidation status which shall be completed 100 days from the approval date.

NOTE 3 - MATERIAL ACCOUNTING POLICIES (Cont.)

B. 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 at the acquisition date. In each business combination, the Company chooses whether to measure the non-controlling interest 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.

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.

C. Cash

Cash is 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

D. 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 Company periodically evaluates the condition and age of inventories and makes provisions for slow moving inventories accordingly.

Cost of inventories is determined as follows:

- Raw materials - at cost of purchase using the "first-in, first-out" method.
- Work in progress and finished goods - on the basis of average costs including materials, labor and other direct and indirect manufacturing costs based on normal capacity.
- Purchased merchandise and products - using the weighted average cost method or using the "first-in, first-out" method.

NOTE 3 - MATERIAL ACCOUNTING POLICIES (Cont.)

E. Revenue recognition

Revenue from contracts with customers is recognized when the control over the goods or services is transferred to the customer. The transaction price is the amount of consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes).

In determining the amount of revenue from contracts with customers, the Group evaluates whether it is a principal or an agent in the arrangement. The Group is a principal when the Group controls the promised goods or services before transferring them to the customer. In these circumstances, the Group recognizes revenue for the gross amount of consideration. When the Group is an agent, it recognizes revenue for the net amount of the consideration, after deducting the amount due to the principal.

Revenue from the sale of goods

Revenue from the sale of cannabis products is generally recognized when control over the goods has been transferred to the customer. Payment is typically due prior to or upon delivery. The Group satisfies its performance obligation and transfers control upon delivery.

Bill-and-hold arrangements

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

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

NOTE 3 - MATERIAL ACCOUNTING POLICIES (Cont.)

F. 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.

Taxes that would apply in the event of the disposal of investments in investees have not been considered in computing deferred taxes, as long as the disposal of the investments in investees is not probable in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by investees as dividends have not been considered in computing deferred taxes since the distribution of dividends does not involve an additional tax liability or since it is the Company's policy not to initiate distribution of dividends from a subsidiary that would trigger an additional tax liability.

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 3 - MATERIAL ACCOUNTING POLICIES (Cont.)

G. Non-current assets or disposal group held for sale and discontinued operations

Non-current assets or a disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sale in their present condition, the Company must be committed to a sale plan, there must be a program to locate a buyer, and it is highly probable that a sale will be completed within one year from the date of classification.

Before these assets are classified as available for sale, they are measured in accordance with the Group's accounting policy. After classification as held for sale, these assets are measured at the lower of their carrying amount and fair value less costs to sell and presented separately in the statement of financial position. From the date of their initial classification, these assets are not depreciated.

The Company recognizes an impairment loss in respect of an asset or group of assets in accordance with IAS 36. An impairment loss and subsequent remeasurement gains or losses are recorded in profit or loss. Gains are recognized up to the cumulative amount of the previously recognized impairment loss.

Other comprehensive income (loss) in respect of an assets or a group of non-current assets that are classified as held for sale is presented separately in equity.

When the Company no longer plans to sell an asset in a sale transaction, it ceases the classification of the asset as held for sale and measures it at the lower of its carrying amount had it not been classified as held for sale or the recoverable amount of the asset on the date of the decision not to sell the asset.

When the Company is committed to a sale plan that results in loss of control over a subsidiary, the subsidiary's entire assets and liabilities are classified as held for sale, regardless of whether the Company will retain any non-controlling interests in the subsidiary.

A discontinued operation is a component of the Company that represents a separate major line of business operation or geographical area of operations that either has been disposed of or is classified as held for sale. The operating results relating to the discontinued operation (including comparative data) are presented separately in the statement of profit or loss, net of the tax effect.

H. Post-employment benefits

According to the labor laws and Severance Pay Law in Israel, the Israeli entities are 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 Israeli entities’ liability is accounted for as a post-employment benefit only for employees not under section 14. The computation of the Israeli entities’ 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.

As of December 31, 2024, all employees in Israel are under section 14.

Expenses for defined deposit plans were in immaterial amounts during the reported periods.

NOTE 3 - MATERIAL ACCOUNTING POLICIES (Cont.)

I. Leases

The Group accounts for a contract as a lease when the contract terms convey the right to control the use of an identified asset for a period of time in exchange for consideration.

For leases in which the Group is the lessee, the Group 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 Group 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 Group has elected to apply the practical expedient in the standard and does not separate the lease components from the non-lease components included in a single contract.

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 Group's incremental borrowing rate. After the commencement date, the Group 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 by applying the cost model and amortized over the shorter of its useful life and the lease term. The amortization periods are up to 5.5 years for premises and 3 years for vehicles.

<u>Lease extension and termination options</u>

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 Group remeasures the lease liability based on the revised lease term using a revised discount rate as of the change date of 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.

NOTE 3 - MATERIAL ACCOUNTING POLICIES (Cont.)

J. Property, plant and equipment, net

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:

	%
Building	3-6
Equipment and furniture	7-25
Vehicles	33
Computer, software and equipment	20 - 33
Leasehold improvements	(*)

(*) 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. Intangible assets, net

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.

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 each year's end.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the Cash-Generating Unit (the “CGU”) level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Amortization is calculated on a straight-line basis over the useful life of the assets as follows:

	Years
Cultivations and processing licenses	(*)
Customer relationships	5 - 8
Trade name	9

(*) The licenses consist of GMP and GDP licenses in Germany which have determined to have an indefinite useful life.

NOTE 3 - MATERIAL ACCOUNTING POLICIES (Cont.)

L. 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 CGU to which the asset belongs. Impairment losses are recognized in profit or loss.

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

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

<u>Goodwill in respect of subsidiaries</u>

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

Goodwill is tested for impairment by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill has been allocated. The Company identified the operations of Israel, Canada and Germany as three separate CGUs.

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

During the year ended December 31, 2022, the Company recorded goodwill impairment in the amount of $107,854, with respect to the CGU in Canada which is presented as part of discontinued operations (see also Note 21 below). During the year ended December 31, 2024, the Company recorded goodwill impairment in the amount of $495 related to Panaxia (see Note 19F2 below).

NOTE 3 - MATERIAL ACCOUNTING POLICIES (Cont.)

M. 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.

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.

Derecognition of financial assets:

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTE 3 - MATERIAL ACCOUNTING POLICIES (Cont.)

L. Financial instruments (Cont.)

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 or when a contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies.

Financial liabilities measured at fair value through profit or loss:

At initial recognition, the Group 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:

Financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is discharged or cancelled or expires. 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.

N. 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 best economic interest.

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).

NOTE 3 - MATERIAL ACCOUNTING POLICIES (Cont.)

O. Provisions

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) resulting from past events, 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 the expense to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense is recognized in statement of operations net of any reimbursement.

The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The best estimate of the expenditure required to settle the present obligation is the amount that the Company would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities. Where a single obligation is being measured, the individual most likely outcome may be the best estimate of the provision.

P. Issuance of a unit of securities

When multiple instruments are issued in a single transaction (package issuance), the total net proceeds from the transaction are allocated among the individual freestanding instruments identified. The allocation occurs after identifying all freestanding instruments and the subsequent measurement basis for those instruments.

Financial instruments that required to be subsequently measured at fair value are measured at fair value and the remaining consideration, if any, is allocated to instruments which eligible for equity classification.

Issuance costs allocated to financial instruments that required to be subsequently measured at fair value immediately expensed. Issuance costs allocated to instruments eligible for equity classification are recorded as a reduction of share premium.

Q. Convertible debentures

Upon initial recognition of convertible debentures and similar instruments, the Company considers the provisions of IAS 32 in order to determine whether the transaction represents a compound financial instrument that includes financial liability component and an equity component, such when the conversion option is eligible for equity classification. In such cases. the Company applied 'split-accounting' in accordance with IAS 32 under which liability component of convertible debenture is measured first, at the fair value of a similar liability that does not have an associated equity conversion feature and the remaining proceeds are allocated to the equity component. Thereafter, the liability component is accounted for at amortized cost using the effective interest method and the amount allocated to the equity component is credited directly to equity and is not subsequently remeasured.

When the conversion option is not eligible for equity classification (such as the exercise price is not considered fixed) the transaction is accounted for as an hybrid contract that is based on a financial liability host with an embedded derivative (conversion option). In such cases, the embedded conversion option is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. The liability host of the convertible debenture is measured at the remaining amount, and in subsequent periods, the liability host is accounted for at amortized cost using the effective interest method.

NOTE 3 - MATERIAL ACCOUNTING POLICIES (Cont.)

R. Put option granted to non-controlling interests

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

S. Share-based payment transactions

The Group's employees and service providers are entitled to remuneration in the form of equity-settled share-based payments.

<u>Equity-settled transactions</u>

The cost of equity-settled transactions with employees, officers and directors is measured at the fair value of the equity instruments granted at the grant date. The fair value is determined by using an acceptable option pricing model.

The cost of equity-settled transactions is recognized in profit or loss together with a corresponding increase in equity during the period when the service conditions are to be satisfied, ending on the date 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.

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

T. Loss per share

Loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted number of common shares outstanding during the period.

Potential common shares are included in the computation of diluted loss per share when their conversion increases loss per share from continuing operations. In computing diluted loss per share, basic loss per share is adjusted to reflect the potential dilution that could occur upon exercise of options and similar instruments using the "treasury stock method" and using the if-converted method with respect to convertible debentures, warrants derivative liabilities and pre-funded warrants, if the effect of each of such financial instruments is dilutive

Potential common shares that are converted during the period are included in diluted loss per share only until the conversion date and from that date in basic loss per share. The Company's share of losses of investees is included based on its share of losses per share of the investees multiplied by the number of shares held by the Company.

Shares to be issued upon exercise of financial instruments such as options, warrants, pre-funded warrants and conversion of convertible debentures, have been excluded from the calculation of the diluted net loss per share for all the reported periods for which net loss was reported because their effect was anti-dilutive.

NOTE 3 - MATERIAL ACCOUNTING POLICIES (Cont.)

U. Treasury shares

The cost of the common shares held by the Company is deducted from the capital as a separate component under the "Treasury shares" section.

V. Operating cycle

The operating cycle of the Company is one year.

W. New standards, amendments and interpretations to existing standards that are effective and relevant to the Group's business activity

1. Amendments to IAS 1, Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current

Commencing January 1, 2024, the Company applied an amendment to IAS 1 - Classification of Liabilities as Current or Non-current (the Amendments).

The amendments replace certain requirements for classifying liabilities as current or non-current. According to the amendments, a liability will be classified as non-current when the entity has the right to defer settlement for at least 12 months after the reporting period, and it “has substance” and is in existence at the end of the reporting period, this instead of the requirement that there be an “unconditional” right. According to the amendments, a right is in existence at the reporting date only if the entity complies with conditions for deferring settlement at that date. Furthermore, the amendments clarify that the conversion option of a liability will affect its classification as current or non-current, unless the conversion option is recognized as equity.

The implementation of the amendments did not have a material impact on the classification of liabilities in the statements of the Company’s financial position.

2. Amendments to International Accounting Standard 7, Cash Flow Report, and International Financial Reporting Standard 7, Financial Instruments: Disclosures

As of January 2024, the Company is retroactively implementing the amendments to International Accounting Standard 7, Cash Flow Report, and International Financial Reporting Standard 7, Financial Instruments: Disclosures (the "Amendments"), in order to clarify the characteristics of supplier financing arrangements and to require additional disclosure of these arrangements.

The disclosure requirements in the amendments are intended to assist and enable users in the financial statements to examine the effects of supplier financing arrangements on the entity's liabilities as well as on its cash flow and the entity's exposure to liquidity risk.

In accordance with the Transition Provisions, the Company is not required to provide disclosures in any presented reporting periods prior to the commencement of the annual reporting period in the first application year.

The implementation of the amendments did not have a material impact on the Company’s statements of cash flow.

There are no other accounting pronouncements which have become effective from January 1, 2024 that have a significant impact on the Company’s financial statements.

NOTE 3 - MATERIAL ACCOUNTING POLICIES (Cont.)

X. Disclosure of new standards in the period prior to their adoption

1. IFRS 18, Presentation and Disclosure in Financial Statements

On April 9, 2024 the IASB published IFRS 18, which replaces IAS 1 ‘Presentation of Financial Statements’ with the objective to improve how information is communicated in an entity’s financial statements, particularly in the statement of profit or loss and in its notes to the financial statements.

The main changes that will apply to the financial statements with the implementation of IFRS 18, in relation to the presentation and disclosure instructions that apply today include the following:

- IFRS 18 changes the structure of the profit or loss report and includes three new defined categories: operating, investment and financing and adds two new interim summaries: operating profit and profit before financing and income taxes.
- IFRS 18 includes guidelines for providing disclosure on performance indicators defined by management (Management-defined performance measures).
- IFRS 18 provides guidelines regarding the aggregation and disaggregation of the information in the financial statements in relation to the question of whether information should be included in the main reports or in explanations and disclosures regarding items defined as "other".
- IFRS 18 includes amendments to other standards, including limited amendments to International Accounting Standard 7, Statement of Cash Flows.

IFRS 18 will become effective, in a retrospective manner, for annual reporting periods beginning on or after January 1, 2027. Early application of IFRS 18 is permitted.

The Company is examining the possible impact of the new standard on the financial statements, but at this stage it is unable to assess such an impact. The effect of the new standard, however it may be, will only affect matters of presentation and disclosure.

2. Amendments to IAS 21, "The Effects of Changes in Foreign Exchange Rates"

In August 2023, the IASB issued "Amendments to IAS 21: Lack of Exchangeability (Amendments to IAS 21, "The Effects of Changes in Foreign Exchange Rates")" to clarify how an entity should assess whether a currency is exchangeable and how it should measure and determine a spot exchange rate when exchangeability is lacking.

The Amendments set out the requirements for determining the spot exchange rate when a currency lacks exchangeability. The Amendments require disclosure of information that will enable users of financial statements to understand how a currency not being exchangeable affects or is expected to affect the entity's financial performance, financial position and cash flows.

The Amendments apply for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted, in which case, an entity is required to disclose that fact. When applying the Amendments, an entity should not restate comparative information.

The Company believes that the Amendments are not expected to have a material impact on its consolidated financial statements.

NOTE 4 - SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

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

A. Judgments:

- Determining the fair value of share-based payment transactions and similar instruments:

  The fair value of share-based payment transactions and similar instruments 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 lease liability:

  When the Group is unable to readily determine the discount rate implicit in a lease in order to measure the lease liability, the Group uses an incremental borrowing rate. That rate represents the rate of interest that the Group 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 Group 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 Group 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, revenue 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.

- Impairment of inventory:

  Inventory impairment exists when the cost exceeds the net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

  Management estimates net realizable values of inventories, considering the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by competition, demands or other market-driven changes that may reduce future selling prices or affect customer demand for the products. See Note 7 below.

- Determining the fair value of unquoted financial assets:

  Fair value of unquoted financial assets in level 3 of the fair value hierarchy is determined using valuation techniques, generally using future cash flows discounted at current rates applicable for items with similar terms and risk characteristics. The inputs into the measurement model are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. Estimated fair values may vary from the actual prices that would be achieved in an arm’s length transaction at the reporting date. See Note 8 below.

NOTE 4 - SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (Cont.)

C. Estimates and assumptions (Cont.):

- Impairment of goodwill:

  The Group reviews goodwill for impairment at least once a year. This requires management to make an estimate of the projected future cash flows from the continuing use of the CGU (or a group of CGUs) to which the goodwill is allocated and also to choose a suitable discount rate for those cash flows. See Note 10 below.

- Legal claims:

  In estimating the likelihood of legal claims filed against the Group entities, the Group management relies 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. See Note 17 below.

- 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. See Note 20 below.

Canadian Dollars in thousands, except share and per share data

NOTE 5 - TRADE RECEIVABLES

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. As of December 31, 2024 and 2023, there were no material past-due receivables.

NOTE 6 - OTHER ACCOUNTS ASSETS

	December 31, 2024	December 31, 2023
Prepaid expenses	$ 191	$ 210
Advances to suppliers	2,352	936
Government authorities	1,450	1,899
Former non-independent director (see Note 24A below)	839	839
Shareholders (see Note 24A below)	134	-
Loans receivables (*)	177	-
Other receivables	276	941
	$ 5,419	$ 4,825

(*) On November 29, 2022, IMC Holdings signed on a convertible loan agreement with Telecana Ltd. (“Telecana”), a pharmacy for sell of medical Cannabis under which IMC Holdings granted a loan amounted to NIS 1,545 (approximately $611) which shall be converted into 1,040 shares which represents 51% of the total equity of Telecana on a diluted basis, upon the earlier of (i) Telecana will receive the permit for sell of medical Cannabis from the Israeli Ministry of Health, (ii) IMC Holdings' sole decision for conversion. As of December 31, 2023, IMC Holdings didn’t start the regulatory process of receiving the Israeli Ministry of Health approval for the conversion. Consequently, during the year ended December 31, 2023, IMC Holdings recognized a revaluation loss of $611 from remeasurement of the loan.

On March 20, 2023, the Company also granted a loan of NIS 100,000 (approximately $39) which bears an annual interest of 4%. The loan shall be paid from the available funds of Telecana subject to written notice given by the Company but not before the maturity of the above convertible loan. Consequently, during the year ended December 31, 2023, IMC Holdings recognized a revaluation loss of $39 from remeasurement of the loan.

In January 2025, IMC Holdings entered into agreement with third party under which the rights (51%) in Telecana have been sold for total consideration of NIS 350 thousand (approximately $138). In February 2025, Telecana repaid a principal loan granted in previous year to IMC Holdings in total amount of NIS 70 thousand (approximately $28) out of NIS 100 thousand (approximately $39) to be paid (see also Notes 26A and 26B below).

Consequently, during the year ended December 31, 2024, IMC Holdings recognized a revaluation income of $177 from remeasurement of the above loans.

Canadian Dollars in thousands, except share and per share data

NOTE 7 - INVENTORY

	December 31, 2024		
	Capitalized costs	Fair valuation adjustment, net	Carrying value
Work in progress:			
Bulk cannabis	$ 325	$ -	$ 325
Finished goods:			
Packaged dried cannabis	2,605	-	2,605
Other products	285	-	285
Balance as of December 31, 2024	$ 3,215	$ -	$ 3,215

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

During the years ended December 31, 2024, 2023 and 2022, inventory expensed to cost of revenue of cannabis products, including inventory write-off, was $43,199, $35,154 and $63,517, respectively, which included $nil, $984 and $4,342 of non-cash expense (a total of $2,528 out of which attributable to discontinued operations of the Canadian entities in 2022, see Note 21 below), respectively, related to the changes in fair value of inventory sold or impaired. In addition, during the years ended December 31, 2024, 2023 and 2022, cost of revenue also include production overhead not allocated to costs of inventory produced and recognized as an expense, as incurred.

Canadian Dollars in thousands, except share and per share data

NOTE 8 - INVESTMENT IN AFFILIATE

On December 26, 2019, IMC Holdings entered into a Share Purchase Agreement (the “SPA”) with Xinteza API Ltd. (“Xinteza”), a company with a unique biosynthesis technology, under which IMC Holdings invested an aggregate amount of US$1,700 thousand (approximately $2,468) in exchange for issuance of 38,082 preferred shares of Xinteza.

On February 24, 2022, IMC Holdings entered into a Simple Agreement for Future Equity (the “SAFE”) with Xinteza, under which IMC Holdings invested US$100 thousand (approximately $125), in exchange for additional future shares of Xinteza.

As of December 31, 2024, IMC Holdings holds 25.32% of the voting rights of Xinteza regularly and has the right for two members of the Board of Directors out of five. However, it was determined that the economic interests of the preferred shares are not substantially identical to those of ordinary shares (due to such features as liquidation preference and redemption feature). Thus, since the preferred shares do not meet the criteria for ordinary equity ownership interest, the equity method is not applicable and thus the investment in Xinteza is subject to the provisions of IFRS 9 and is accounted for as a financial asset measured at fair value through profit or loss categorized within Level 3 of fair value hierarchy.

As of December 31, 2024 and 2023, the investment in an affiliate amounted to $1,631 and $2,285, respectively. Thus, during the year ended December 31, 2024, the Company recorded revaluation expenses from change of the fair value in investment in affiliate of $837 less an effect of foreign currency translation of $183.

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT, NET

	Building and improvements	Equipment and furniture	Computer, software and equipment	Vehicles	Total
Cost:					
Balance at January 1, 2023	$ 9,549	$ 4,706	$ 931	$ 450	$ 15,636
Additions during the year	387	41	66	87	581
Foreign currency translation	(37)	(8)	(75)	(26)	(146)
Balance at December 31, 2023	9,899	4,739	922	511	16,071
Additions during the year	4	101	-	51	156
Disposals	(411)	(17)	(11)	(197)	(636)
Deconsolidation of Oranim	(523)	(173)	(30)	(277)	(1,003)
Foreign currency translation	130	41	39	(46)	164
Balance at December 31, 2024	9,099	4,691	920	42	14,752
Accumulated depreciation:					
Balance at January 1, 2023	6,093	3,657	533	132	10,415
Depreciation during the year	218	135	215	76	644
Foreign currency translation	(10)	-	(30)	(6)	(46)
Balance at December 31, 2023	6,301	3,792	718	202	11,013
Depreciation during the year	186	116	101	53	456
Disposals	(147)	(8)	(10)	(140)	(305)
Deconsolidation of Oranim	(100)	(53)	(17)	(50)	(220)
Foreign currency translation	33	16	52	(23)	78
Balance at December 31, 2024	6,273	3,863	844	42	11,022
Depreciated cost at December 31, 2024	$ 2,826	$ 828	$ 76	$ -	$ 3,730
Depreciated cost at December 31, 2023	$ 3,598	$ 947	$ 204	$ 309	$ 5,058

Canadian Dollars in thousands, except share and per share data

NOTE 10 - GOODWILL AND INTANGIBLE ASSETS, NET

	Cultivations and processing licenses (*)	Customer relationships	Trade name	Goodwill	Other	Total
Cost:						
Balance at January 1, 2023	$ 2,524	$ 13,076	$ 1,564	$ 117,900	$ 23	$ 135,087
PPA adjustments	-	2,225	-	-	-	2,225
Disposals	-	(2,225)	-	-	-	(2,225)
Foreign currency translation adjustments	-	(349)	-	324	-	(25)
Balance at December 31, 2023	2,524	12,727	1,564	118,224	23	135,062
Impairment (Note 19F2)	-	-	-	(495)	-	(495)
Deconsolidation of Oranim	-	(2,822)	-	(3,499)	-	(6,321)
Foreign currency translation adjustments	147	174	-	578	-	899
Balance at December 31, 2024	2,671	10,079	1,564	114,808	23	129,145
Accumulated amortization:						
Balance at January 1, 2023	1,673	6,068	1,516	108,129	20	117,406
Amortization during the year	18	1,730	7	-	3	1,758
Balance at December 31, 2023	1,691	7,798	1,523	108,129	23	119,164
Amortization during the year	-	1,369	8	-	-	1,377
Deconsolidation of Oranim	-	(1,408)	-	-	-	(1,408)
Balance at December 31, 2024	1,691	7,759	1,531	108,129	23	119,133
Amortized cost at December 31, 2024	$ 980	$ 2,320	$ 33	$ 6,679	$ -	$ 10,012
Amortized cost at December 31, 2023	$ 833	$ 4,929	$ 41	$ 10,095	$ -	$ 15,898

(*) The licenses consist of GMP and GDP licenses and they have indefinitely useful life.

Amortization expenses amounted to $1,377, $1,758 and $2,343, were recorded as part of selling and marketing expenses during the years ended December 31, 2024, 2023 and 2022, respectively. In addition, during the year ended December 31, 2022, the Company recorded goodwill and intangible assets impairment amounted to $107,854 and $3,067, respectively, related to Trichome (see Note 21 below). During the year ended December 31, 2023, the Company did not record goodwill and intangible assets impairment. During the year ended December 31, 2024, the Company derecognized goodwill and intangible assets in the amount of $3,499 and $1,414, respectively, as part of the deconsolidation of Oranim and goodwill impairment amounted to $495 related to Panaxia (see Note 19F below).

Canadian Dollars in thousands, except share and per share data

NOTE 11 - LEASING

A. Right of use assets:

	Premises	Vehicles	Total
Cost:			
Balance at January 1, 2023	$ 4,342	$ 575	$ 4,917
Changes during the year:			
New leases	-	309	309
Termination of leases	(507)	(180)	(687)
Currency translation adjustments	(132)	(29)	(161)
Balance at December 31, 2023	3,703	675	4,378
Changes during the year:			
New leases	-	40	40
Termination of leases	-	(92)	(92)
Deconsolidation of Oranim	(921)	-	(921)
Currency translation adjustments	(5)	37	32
Balance at December 31, 2024	2,777	660	3,437
Accumulated depreciation:			
Balance at January 1, 2023	2,682	306	2,988
Changes during the year:			
Depreciation and amortization	453	141	594
Termination of leases	(364)	(83)	(447)
Currency translation adjustments	(48)	(16)	(64)
Balance at December 31, 2023	2,723	348	3,071
Changes during the year:			
Depreciation and amortization	250	101	351
Termination of leases	-	(33)	(33)
Deconsolidation of Oranim	(388)	-	(388)
Currency translation adjustments	(47)	32	(15)
Balance at December 31, 2024	2,538	448	2,986
Depreciated cost at December 31, 2024	$ 239	$ 212	$ 451
Depreciated cost at December 31, 2023	$ 980	$ 327	$ 1,307

Canadian Dollars in thousands, except share and per share data

NOTE 11 - LEASING (Cont.)

B. Operating lease liabilities:

	Premises	Vehicles	Total
Balance at January 1, 2023	$ 1,627	$ 262	$ 1,889
Changes during the year:			
New leases	-	309	309
Payment of lease liabilities	(492)	(157)	(649)
Interest on lease liabilities	44	19	63
Termination of leases	(150)	(101)	(251)
Currency translation adjustments	90	(182)	(92)
Balance at December 31, 2023	1,119	150	1,269
Changes during the year:			
New leases	-	40	40
Payment of lease liabilities	(213)	(170)	(383)
Interest on lease liabilities	19	33	52
Termination of leases	-	(63)	(63)
Deconsolidation of Oranim	(527)	-	(527)
Currency translation adjustments	(8)	53	45
Balance at December 31, 2024	$ 390	$ 43	$ 433

	December 31	
	2024	2023
Current liability	$ 262	$ 454
Non-current liability	171	815
Balance at December 31	$ 433	$ 1,269

C. Amounts recognized in statements of cash flow:

	Year ended December 31,		
	2024	2023	2022
Amortization of the right for use assets	$ 351	$ 594	$ 1,944
Interest on lease liabilities	$ 52	$ 63	$ 1,429
Payment of lease liabilities	$ 383	$ 649	$ 3,085

Total negative cash flows in respect of leasing for the years ended December 31, 2024, 2023 and 2022 are approximately $383, $649 and $3,085, respectively.

D. Analysis of contractual payment dates of leasing liability at December 31, 2024:

Up to a year	$ 274
Between 1-3 years	174
Total (undiscounted)	$ 448

Canadian Dollars in thousands, except share and per share data

NOTE 12 - TRADE PAYABLES

	December 31, 2024	December 31, 2023
Open accounts in Israel (*)	$ 2,230	$ 3,686
Open accounts abroad	8,929	5,537
	$ 11,159	$ 9,223

(*) Including outstanding amount related to management fee to be paid to entity controlled by main shareholders of the Company in total amount of $187 as of December 31, 2023. See also Note 24A below.

NOTE 13 - OTHER CURRENT LIABILITIES

	December 31, 2024	December 31, 2023
Accrued expenses (*)	$ 2,662	$ 1,615
Employees and payroll accruals	493	1,003
Government authorities	1,237	2,444
Related parties (**)	-	239
Advances from customers	492	787
Liability for restructuring	117	117
Other payables	-	13
	$ 5,001	$ 6,218

(*) Including outstanding amount related to management fee to be paid to entity controlled by main shareholders of the Company in total amount of $427 as of December 31, 2024. See also Note 24A below.

(**) On October 5, 2023, IMC Holdings entered into a loan agreements with two main shareholders, to borrow a principal amount of NIS 1 million (approximately $394) which bears an interest at a rate of 18%, with associated application fee of 4% per annum and an origination fee of 4% per annum. The principal amount and accrued interest shall be paid within 6 months.

In May 2024, the outstanding principal and accrued interest amounted to $431 were converted into convertible debentures (see Note 15 below).

NOTE 14 - CREDITS FROM BANK INSTITUTION AND OTHERS

A. On May 17, 2023, the Company and Bank Mizrahi entered into credit facility with total commitment of up to NIS 10 million (approximately $3,600) (the “New Mizrahi Facility”) which consists of NIS 5 million credit line and NIS 5 million loan to be settled with 24 monthly installments from May 2023 which bears an annual interest at the Israeli Prime interest rate plus 2.9%. In August 2024, the credit line of NIS 5 million (approximately $1,969) received from Bank Mizrahi was converted into a six-month short-term loan, bearing an annual variable interest rate of P+1.9%.

The Company's Chief Executive Officer, Chairman of the Board and the main shareholder (the “Guarantor”) provided the bank a personal guarantee equal to the outstanding borrowed amount, allowing the New Mizrahi Facility to remain effective.

For more information regarding the modification of terms, see Note 26F below.

B. On October 11, 2022, IMC Holdings entered into a loan agreement with non-financial institution, to borrow a principal amount of NIS 10,500 thousand (approximately $4,000) at an annual interest of 15% (the “Loan”), which was to be repaid within 12 months of the agreement date. The Loan is secured by (i) a first-rank land charge on the Logistics Center of Adjupharm and (ii) a personal guarantee provided by the Guarantor.

On October 25, 2023, a first amendment was signed which extends the loan period by an additional 3 months, under which the annual interest rate will be 15%, with associated fees and commissions of 3% for the application fee and an origination fee of 3% per annum.

On February 26, 2024, a second amendment was signed which extends the loan period until April 15, 2024. On May 8, 2024, a third amendment was signed which extended the loan period until October 31, 2024.

On October 31, 2024 and November 4, 2024, IMC Holdings repaid a principal amount of NIS 5,400 thousand (approximately $1,860) and NIS 600 thousand (approximately $207).

For more information regarding the extension of the maturity date, see Note 26E below.

C. On October 17, 2023, IMC Holdings entered into a loan agreement with a non-financial institution, to borrow a principal amount of NIS 1.8 million (approximately $709) which bears an annual interest of 18%, with associated application fee of 4% and an origination fee of 4% per annum. The principal amount and accrued interest shall be paid within 6 months.

On April 17, 2024, an amendment was signed which extends the maturity date of the principal amount and accrued interest to April 18, 2025 over which the unpaid principal amount will accrue an interest at a rate of 17%, with no additional fees associated.

In 2024, IMC Holdings repaid an amount of interest amounted to NIS 100 thousand (approximately $39).

For more information regarding the extension of the maturity date, see Note 26C below.

D. On October 11, 2023, IMC Holdings entered into a loan agreement with a non-financial institution, to borrow a principal amount of NIS 1.5 million which bears an annual interest of 18%, with associated application fee of 4% and an origination fee of 4% per annum. The principal amount and accrued interest shall be paid on June 11, 2024.

On December 28, 2023, IMC Holdings entered into a loan agreement with a non-financial institution to borrow a principal amount of NIS 1.5 million (approximately $591) which bears an interest at a rate of 16%. The principal amount and accrued interest shall be paid on December 31, 2024.

In May 2024, the outstanding principal and accrued interest amounted to $1,241 were converted into convertible debenture (see Note 15 below).

NOTE 14 - CREDITS FROM BANK INSTITUTION AND OTHERS (Cont.)

E. On October 11, 2023, IMC Holdings entered into a loan agreement with a non-financial institution, to borrow a principal amount of $200 which bears an annual interest of 18%, with associated application fee of 4% and an origination fee of 4% per annum. The principal amount and accrued interest shall be paid within 6 months.

   In May 2024, the outstanding principal and accrued interest amounted to $230 were converted into convertible debenture (see Note 15 below).

F. On October 9, 2023, Rosen entered into a loan agreement with a non-financial institution, to borrow a principal amount of NIS 1 million (approximately $394) which bears an interest at a rate of 20%. The principal amount shall be paid on March 30, 2024 and accrued interest shall be paid on a monthly basis until January 31, 2025. The loan is secured by (i) a floating lien of the first degree and assignment of unlimited lien on all Rosen's assets, and in particular a floating lien on goods in a value of the loan as stored for Rosen in Nehoshtan Basalt Ltd., (ii) a first rank charge on goods in a value of the loan as stored for Rosen in Nehoshtan Basalt Ltd., (iii) a personal guarantee provided by the Guarantor and (iv) letter of guarantee from the Company. In 2024, the principal amount was fully repaid.

   On April 17, 2024, Yarok Pharm entered into a loan agreement with a non-financial institution, to borrow a principal amount of NIS 3 million (approximately $1,181) which bears an interest at a rate of 15%. The principal amount shall be paid on January 31, 2025, but early repayment is permitted subject to certain conditions as described in the loan agreement and accrued interest shall be paid on a monthly basis until January 31, 2025. The loan is secured by (i) a first-degree floating lien and assignment of unlimited lien on all Yarok Pharm’s assets, (ii) a first rank charge on the investment of IMC Holdings in Xinteza, (iii) a personal guarantee provided by the Guarantor and (iv) letter of guarantee from the Company.

   For more information regarding the extension of the maturity date, see Note 26D below.

G. On July 1, 2024, IMC Holdings entered into series of short-terms loan agreements with a non-financial institution, to borrow a principal amount of NIS 3 million (approximately $1,181) which bears an interest at a rate of 12%. The principal amount and accrued interest shall be paid on March 31, 2025. The loan is secured by a personal guarantee provided by the Guarantor.

H. On February 28, 2024, a loan agreement was signed between IMC Holdings and Kadimastem Ltd. (“Kadimastem”) under which Kadimastem will provide a loan of up to US$650 thousand to IMC Holdings, in two installments: (i) US$300 thousand upon signing the loan agreement and (ii) US$350 thousand upon execution of definitive agreement regarding the Proposed Transaction (the “Loan”). The Loan accrues 9.00% interest per annum over a period of 12 months and is secured by certain collaterals, as defined in the loan agreement.

   On May 28, 2024, the non-binding term sheet executed between the parties was terminated. Consequently, the Loan provided to IMC Holdings of US$300 thousand (approximately $431) was repaid together with accrued interest, in 3 installments by July 31, 2024.

Canadian Dollars in thousands, except share and per share data

NOTE 14 - CREDITS FROM BANK INSTITUTION AND OTHERS (Cont.)

I. On July 30, 2024, the Company entered into an acknowledgment and payment schedule agreement with an unrelated service provider, regarding unpaid fees, charges, and disbursements for legal services rendered to the Company. According to the terms of the agreement, the Company is required to pay an amount of $54 on the first business day of each month for a period of 24 months, with the first payment due on November 1, 2024. The total amount of debt of $1,296 represents a discount of 33% of the original debt.

On December 8, 2024, the Company entered into an agreement with an unrelated service provider, regarding unpaid fees, charges, and disbursements for legal services rendered to the Company. According to the terms of the agreement, the Company is required to pay an amount of US$33 thousand over a period of 9 months, with the first payment due on April 1, 2025. The total amount of debt of US$297 thousand represents a discount of 30% of the original debt.

As a result of the above settlements, the Company recognized liabilities amounted to $1,378 which represent the fair value of the adjusted liabilities based on discounted payments with an interest rate that represents the applicable rate of risk for the Company. The difference between the fair value of the adjusted liabilities and their previous carrying amounts equal to $960 represents a gain from debt restructuring which was recognized as an income as part of general and administrative expenses during the year ended December 31, 2024.

J. From time to time, in the normal course of business, the Company enters into financing transactions with non-banking credit services entities under which the Company receives short-term loans that are guaranteed by certain identified outstanding unpaid invoices of certain customers (the “Selected Trade Receivables”). As it was determined that the Company has retained substantially all the risks and rewards of ownership of the Selected Trade Receivables, the Company continues to recognize the Selected Trade Receivables in their entirety and recognizes financial liability for the consideration received as short-term loans.

Breakdown of credits from bank institution and others as of December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023
Credit from bank institution	$ 2,586	$ 3,227
Credit from non-financial institutions	6,384	6,484
Check receivables	6,641	2,802
	$ 15,611	$ 12,513

	December 31, 2024	December 31, 2023
Current maturity	$ 15,145	$ 12,119
Long-term credit	466	394
	$ 15,611	$ 12,513

During the years ended December 31, 2024, 2023 and 2022, the Company recorded interest expenses related to credits received from bank institution and others amounted to $1,543, $1,004 and $338, respectively.

Canadian Dollars in thousands, except share and per share data

NOTE 15 - CONVERTIBLE DEBENTURES OFFERING

On May 26, 2024 (the "Closing Date"), the Company closed a debt settlement agreement under which an aggregate amount of $1,902 (the "Debt") to certain creditors (collectively, the "Creditors") have been settled through the issuance of up to $2,092 of secured convertible debentures (the "Debentures"), including of a 10% extension fee. The Debentures will mature on May 26, 2025, will not incur interest except in the event of default and may be converted into common shares of the Company at a fixed conversion price of $5.1 per common share. The Company is entitled to through the term of the Debentures to early repayment of the Debentures for cash amount of $2,092.

Each of the Creditors is secured by intercompany loan receivable from IMC Holdings.

As the exercise price of the conversion option is fixed and determined in the functional currency of the Company, it was determined to be eligible for equity classification. Thus, it was determined that the Company has issued a compound instrument that include a financial instrument that is considered as "host" which comprised of Debentures and an embedded conversion feature with an embedded prepayment option which was determined as not closely related to the host. In accordance with IAS 32, the Company applied "split-accounting" as follows: first, the Company measured the fair value of the host (including any embedded non-equity derivative) at fair value of a similar liability that does not have an associated equity conversion feature and the equity conversion component was measured as a residual amount. In subsequent periods, the host liability is accounted for at amortized cost using an effective interest method.

Pursuant to the above, at the Closing Date, management by assistance of third-party appraiser allocated the Debentures amount to identified components as follows:

	Closing Date
Debentures (host instrument)	$ 1,795
Embedded conversion feature	297
	$ 2,092

The following tabular presentation reflects the reconciliation of the carrying amount of Debentures during the period commencing the Closing date through December 31, 2024:

	Debentures
Balance at Closing Date	$ -
Issued	2,092
Recognition of discount	(297)
Amortization of discount expenses	173
Balance at December 31, 2024	$ 1,968

Canadian Dollars in thousands, except share and per share data

NOTE 16 - DERIVATIVE WARRANTS LIABILITIES AND PREFUNDED WARRANTS

A. From time to time the Company entered into a non-brokered private placement offering transactions or settlement agreements under which the Company issued units that consist of common shares and warrants which are exercisable into common shares over a limited period of the time at an exercise price which is denominated in foreign currency and/or as the warrants might be exercisable to variable number of shares due to cashless exercise mechanism. As a result of the above, the warrants are accounted for as a derivative warrants liability which is measured at fair value through profits and losses.

At the initial date and subsequently, the fair value of the warrants is estimated by management using the assistance of external appraiser based on Black and Scholes option pricing model, when unrealized gains or losses are included in finance income (expense), respectively, until expiration or exercise of the warrants.

The following table summarizes the observable inputs used in the valuation of the derivative warrants liabilities as of December 31, 2024 and 2023:

	December 31, 2024			December 31, 2023	
	Series 2024	Series 2023	Series 2021	Series 2023	Series 2021
Share price (in CAD)	3.25	3.25	3.25	2.88	2.88
Exercise price (in CAD)	4.32	12.95	62.14	12.95	62.14
Expected volatility (%)	72.2%	75.7%	75.7%	48.43%	48.43%
Risk-free interest rate (%)	2.93%	4.21%	4.21%	4.12%	4.12%
Dividend yield (%)	-	-	-	-	-
Expected term (years)	1.882	1.356	1.356	2.342	2.342
Number of warrants	742,517	818,818	49,058	961,602	49,058
Fair value per warrant (in CAD)	1.06	0.14	0.00	0.006	0.00

The following tabular presentation reflects the reconciliation of the total fair value of derivative warrants liabilities during the reported periods:

	Series 2024	Series 2023	Series 2021	Total
Balances at January 1, 2022	$ -	$ -	$ 6,022	$ 6,022
Changes in fair value	-	-	(6,014)	(6,014)
Balances at December 31, 2022	-	-	8	8
Issued (see Notes 18B5-18B6 below)	-	7,253	-	7,253
Changes in fair value	-	(7,215)	(8)	(7,223)
Balances at December 31, 2023	-	38	-	38
Issued (see Note 18B7 below)	1,154	-	-	1,154
Changes in fair value	(367)	62	-	(305)
Balances at December 31, 2024	$ 787	$ 100	$ -	$ 887

For more information regarding the prefunded warrants granted to the Company's Chief Executive Officer, Chairman of the Board and the main shareholder, see also Note 18B8 below.

NOTE 17 - CONTINGENT LIABILITIES

A. Legal proceedings:

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

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

   A hearing was initially set to December 1, 2021, but it was postponed several times in order to allow the parties to negotiate towards a resolution. The hearing was set to June 22, 2023. A draft agreement between the parties sent by the defendant to the municipal committee in order for it to be sent to the state attorney's office for their comments, which once obtained, will be filed with the Court for its approval. The Court is not obligated to approve the agreement between the parties, if obtained.

   On June 22, 2023, a hearing took place before the esteemed Honorable Judge Orit Kertz. During the hearing it was decided that the defendants and the municipal committee's attorney would engage in negotiations and make diligent efforts to reach a settlement before August 15, 2023. The responsibility of informing the court about any progress concerning a potential settlement was assigned to the attorney representing the municipal committee. On September 9, 2023, the municipal committee's attorney was summoned to appear at a hearing before the Honorable Judge Orit Kertz. The hearing was postponed to December 28, 2023.

   On January 2, 2024, the Company announced that the construction proceedings against Focus, were concluded on December 28, 2023. The Company maintains "de facto" control of Focus. Focus was indicted and a fine of $129 has been imposed which was fully paid in 2024. The cultivation facility, which was the focus of the proceedings, was closed in June 2022 in alignment with the Company's strategic shift towards import and sales.

2. On November 19, 2021, Adjupharm filed a statement of claim (the "Claim") to the District Court of Stuttgart (the "Stuttgart Court") against Stroakmont & Atton Trading GmbH ("Stroakmont & Atton"), its shareholders and managing directors regarding a debt owed by Stroakmont & Atton to Adjupharm of approximately EUR 948 thousand for COVID-19 test kits purchased by Stroakmont & Atton from Adjupharm in May 2021. The Claim was accepted on December 2, 2021. In January 2022, Stroakmont & Atton filed its statement of defense to the Stuttgart Court in which it essentially stated two main arguments for defense:

   A. The contractual party of the Company was not the Stroakmont & Atton. The contract with Stroakmont & Atton was only concluded as a sham transaction in order to cover up a contract with a company named Uniclaro GmbH ("Uniclaro"). Therefore, Stroakmont & Atton is not the real purchaser rather than Uniclaro.

   B. The Company allegedly placed an order with Uniclaro for a total of 4.3 million Clongene COVID-19 tests, of which Uniclaro claims to have a payment claim against the Company for a partial delivery of 380,400 Clongene COVID-19 tests in a total amount of EUR 941,897. Uniclaro has assigned this alleged claim against the Company to Stroakmont & Atton Trading GmbH, and Stroakmont & Atton Trading GmbH has precautionary declared a set-off against the Company's claim.

NOTE 17 - CONTINGENT LIABILITIES (Cont.)

A. Legal proceedings (Cont.):

2. (Cont.)

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

The burden of proof for both allegations lies with the opponents and they offered evidences to the court in the form of testimony from certain witnesses.

A court hearing with witnesses was held on January 11, 2023 and February 22, 2023, where witnesses testified. According to the court the witnesses were not able to provide the required evidence for the allegation regarding the sham transaction with Stroakmont. On April 5, 2023, Stuttgart Court announced its decision (the "Test Kits Judgment") and sentenced Stroakmont to pay to Adjupharm EUR 948 thousand plus interest of 5% above the German basis rate since May 8, 2021. In addition, Stroakmont was sentences to pay Adjupharm EUR 7 thousand plus interest at 5% above the German basis rate since December 14, 2021.

The directors of Stroakmont, Mr. Simic and Mr. Lapeschi, were not sentenced and in this respect, the COVID-19 Test Kit Claim was dismissed against them with regard to their personal liability. Adjupharm shall pay 2/3 of the Stuttgart Court expenses and the out-of-court expenses of Mr. Simic and Mr. Lapeschi. Stroakmont shall bear 1/3 of the Stuttgart Court expenses and 1/3 of the out-of-court expenses of Adjupharm. The remaining out-of-court expenses shall be borne by each party.

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

The Judgment is not yet final and, thus, cannot be enforced. On May 5, 2023, Adjupharm and Stroakmont, each submitted an appeal with the Stuttgart Court against the Test Kits Judgment (the "Test Kits Appeal").

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

Stroakmont appealed the judgement and requested rejecting the payment claim. Furthermore, they appealed against the prohibition of the set-off. They are of the opinion that there is no such prohibition, and they want to include their alleged counterclaims in the proceedings and to receive a decision for their counterclaim by the court in Stuttgart.

To date, the Court of Appeal has not issued any instructions, and the first oral hearing, originally scheduled for March 13, 2025, has been postponed to an unknown date. The Court has ordered the personal appearance of both parties, i.e. the respective managing directors, to clarify the facts of the case and to attempt an amicable settlement.

At this stage, management cannot assess its ability to collect the payment awarded in the Test Kits Judgment and the chances of the COVID-19 Test Kit Claim advancing or the potential outcome of the Test Kits Appeal.

NOTE 17 - CONTINGENT LIABILITIES (Cont.)

A. Legal proceedings (Cont.):

3. On December 22, 2022, Uniclaro filed a statement of claim against Adjupharm with the district court in Hamburg, pursuant to which Uniclaro is claiming the purchase price for 300,000 COVID-19 rapid tests in the total amount of approximately EUR 1,046 thousand (approximately $1,540), including VAT, which Uniclaro has in its storage.

   Uniclaro alleges in this lawsuit that Adjupharm placed an order for 4.3 million Covid-19 rapid tests of the brand “Clongene”. Furthermore, Uniclaro claims that the order was placed verbally on March 23, 2021 and that Adjupharm has already paid for a portion of these tests and received them, but not yet the entire 4.3 million tests. They reserve the right to extend the lawsuit for the remaining amount (which they did not specify).

   On February 23, 2023, the Company provided its statement of defense to the court. The statement of defense contains similar arguments to reject the allegations in this respect as in the court proceedings in Stuttgart about the counterclaims.

   On February 14, 2024, a court hearing took place before the district court of Hamburg, at which the court first heard the managing directors of Uniclaro and Adjupharm.

   On April 24, 2024, the Regional Court of Hamburg announced its decision under which (i) Adjupharm was not sentenced. Uniclaro's lawsuit for payment of approximately EUR 1,046 thousand in exchange for delivery of 300,000 Clungene tests was dismissed and (ii) Uniclaro is sentenced to pay Adjupharm approximately EUR 54 thousand plus interest at a rate of 5% above the German basis rate since January 17, 2023.

   The judgement is not yet final. Uniclaro has appealed the judgment and applied for the judgment to be overturned and to sentence Adjupharm in accordance with Uncilaro's original application to pay the amount of approximately EUR 1,046 thousand (including VAT) in exchange for 300,000 Covid-19 rapid. Furthermore, Uniclaro has requested in its appeal to dismiss Adjupharm's counterclaim.

   At this stage, management cannot assess the chances of the claim advancing or the potential outcome of these proceedings. Thus, no provision has been recorded.

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

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

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

   On June 17, 2024, an amended 35 Oak Statement of Claim was filed in the ONSC by the MYM Shareholder Plaintiffs which have requested that the MYM Defendants serve a statement of defense by November 18, 2024.

   The Company together with MYM Defendants served a demand for particulars on October 28, 2024, requesting details of allegations against the MYM Defendants. The Company is currently still awaiting a response from the MYM Shareholder Plaintiffs.

   At this stage, management cannot assess the chances of the claim advancing or the potential outcome of these proceedings. Thus, no provision has been recorded.

NOTE 17 - CONTINGENT LIABILITIES (Cont.)

B. Tax Remittance:

On October 31, 2023, notices of assessment for excise tax have been received covering the period commencing January 1, 2020 through December 31, 2021, under which the Company was assessed for tax on insurance, arrears interest and failure to file penalty in aggregate amount of $319 (collectively, the "2020-2021 Assessments").

On November 29, 2023, the Company filed notices of objection (Excise Tax Act) to the 2020-2021 Assessments. The Company assesses the filed notices of objection (Excise Tax Act) to be low to medium complexity.

On April 26, 2024, the Company received a letter from the Canada revenue agency that the notice of assessment for excise tax that the Company objected to is voided and no outstanding balance is owed with respect to such assessments. Based on the foregoing, this matter has been resolved to the Company's satisfaction and the objections were finalized.

Canadian Dollars in thousands, except share and per share data

NOTE 18 - EQUITY

A. Composition of share capital:

	December 31, 2024		December 31, 2023	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
	Number of shares			
Common Shares without par value	Unlimited	3,085,452	Unlimited	2,232,359

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

As of July 12, 2024, the Board of the Company has approved a reverse share split of all outstanding common shares of the Company at a ratio of 6:1 so that each six common shares without par value were consolidated into one common share without par value (the "Reverse Share Split"). For accounting purposes, all common shares, restricted share units, options and warrants to purchase common shares and loss per share amounts have been adjusted to give retroactive effect to the Reverse Share Split for all periods presented in the consolidated financial statements. All fractional Common Shares equal to or greater than one-half resulting from the Reverse Share Split was rounded to the next whole number, otherwise, the fractional Common Share was cancelled.

B. Changes in issued and outstanding share capital:

	Number of shares		
	2024	2023	2022
Balance as of January 1	2,232,359	1,261,590	1,135,273
Common shares issued as settlement of purchase consideration through business combination transactions (1), (2), (3)	-	-	21,001
Issuance of treasury common shares	-	-	1,694
Common shares issued through private placements (4), (5), (7)	742,517	879,520	100,000
Common shares issued as debts settlement with related parties (5), (6)	-	82,082	-
Common shares issued as compensation to a related party (8)	110,576	-	-
Common shares issued upon options exercised (9)	-	-	3,622
Common shares issued upon RSUs vested (9)	-	9,167	-
Balance as of December 31	3,085,452	2,232,359	1,261,590

NOTE 18 - EQUITY (Cont.)

B. Issuance of common shares (Cont.):

1. On March 14, 2022, Yarok Pharm Transaction was closed upon receipt of all required approvals, including the IMCA approval. In connection with the closing of the Yarok Pharm Transaction, on the same date, the Company completed a non-brokered private placement with former shareholders of Yarok Pharm and Rosen High Way under which 8,728 common shares were issued for aggregate gross proceeds of $1,370, which represents a price per share of approximately $156.96.

2. On March 14, 2022, Vironna Transaction was closed upon receipt of all required approvals, including the IMCA approval. At the closing date, an amount of NIS 3,500 thousand (approximately $1,091) was paid in satisfaction with the share consideration component by issuance of 8,089 common shares which represents a price per share of approximately $134.88.

3. On March 28, 2022, Oranim Transaction was closed upon receipt of all required approvals, including the approval of the MOH. At the closing date, an amount of NIS 1,500 thousand (approximately $600) was paid in satisfaction with the share consideration component by issuance of 4,184 common shares which represents a price per share of approximately $150.6.

4. On August 19, 2022, the Company announced a private placement for aggregate gross proceeds of up to US$5 million (approximately $6,500) (the "Private Placement"). As of December 31, 2022, the Company issued 100,000 common shares for a total amount of US$3 million (approximately $3,756) including investments by the Company's management and executives. Direct and incremental issuance costs incurred amounted to $178.

5. In January and February of 2023, the Company issued 471,375 units of the Company at a price of US$7.5 per unit for aggregate gross proceeds of US$3,535 (approximately $4,705) in a series of closings pursuant to a non-brokered private placement offering to purchasers (the "LIFE Offering"). Each unit consisted of one common share and one warrant which eligible for exercise into one common share at an exercise price of US$9.00 over a period of 36 months from the issuance date.

   Concurrent with the LIFE Offering, the Company issued 21,950 units to a non-independent director under the LIFE Offering at an aggregate price of US$165 (approximately $222) as a settlement of debt in the same amount owed by the Company to the director for certain consulting services previously rendered by the director to the Company. Each unit consisted of one common share and one warrant which eligible for exercise into one common share at an exercise price of US$9.00 over a period of 36 months from the issuance date (the "LIFE Offering Warrants").

   Concurrent with the LIFE Offering, the Company issued 386,195 units on a non-brokered private placement basis at a price of US$7.5 per unit for aggregate gross proceeds of US$2,896 (approximately $3,854) (the "Concurrent Offering"). Each unit consisted of one common share and one warrant which eligible for exercise into one common share at an exercise price of US$9.00 over a period of 36 months from the issuance date. The Concurrent Offering was led and participated by insiders of the Company of 193,333 units out of the total Concurrent offering units.

   All the above warrants issued are considered collectively as "January-February 2023 Warrants".

   The Company incurred direct and incremental transaction costs related to the LIFE Offering amounted to approximately $334.

NOTE 18 - EQUITY (Cont.)

B. Issuance of common shares (Cont.):

6. (Cont.)

As the exercise price of January-February 2023 Warrants is denominated in foreign currency, which is not the functional currency of the Company, the January-February 2023 Warrants were accounted for as a derivative liability, which was measured at fair value at the initial date by management using the assistance of external appraiser in total amount of US$5,277 thousand (approximately $7,027) by using Black-Scholes pricing model. The residual amount of US$1,319 thousand (approximately $1,754) was allocated to common shares issued and was recorded as part of share capital and premium.

Issuance costs amounted to $268 allocated to January-February 2023 Warrants have been charged immediately to statement of operations as part of finance expenses and the amount of $66 that was allocated to common shares was recorded as deduction from share capital and premium.

6. On May 8, 2023, the Company closed a debt settlement transaction (the “Debt Settlement”) with L5 Capital Inc., a company controlled by Marc Lustig, the then executive chairman of the Board of the Company (“L5 Capital”), pursuant to which the Company settled outstanding indebtedness of US$616 (approximately $839) through issuance of 82,082 units at a price of US$7.00 per unit. Each unit consisted of one common share and one warrant which is eligible for exercise into one common share at an exercise price of US$9.00 per common share over a period of 36 months from the issuance date (the “May 2023 Warrants”).

As the exercise price of the May 2023 Warrants is denominated in foreign currency, which is not the functional currency of the Company, the May 2023 Warrants were accounted for as a derivative liability, which was measured at fair value at the initial date. The fair value of the May 2023 Warrants was determined by management using the assistance of external appraiser in total amount of US$166 thousand (approximately $226) by using Black-Scholes pricing model. The residual amount of US$450 thousand (approximately $613) was allocated to common shares issued and was recorded as part of share capital and premium.

7. On November 12, 2024, the Company closed a non-brokered private placement offering through issuance of 742,517 units at a price of $2.88 per unit for aggregate gross proceeds of $2,138. Each unit consisted of one common share and one warrant which eligible for exercise into one common share at an exercise price of $4.32 equal to a 50% premium to the offering price at any time prior to November 12, 2026 (the “November 2024 Warrants”).

November 2024 Warrants might be exercisable to variable number of shares due to cashless exercise mechanism and thus they were accounted for as a derivative liability, which was measured at fair value at the initial date by management using the assistance of external appraiser in total amount of $1,154 by using Black-Scholes pricing model. The residual amount of $984 was allocated to common shares issued and was recorded as part of share capital and premium.

The Company incurred direct and incremental transaction costs amounted to approximately $89, of which an amount of $49 that was allocated to November 2024 Warrants classified as financial liability was charged immediately to statement of operations as part of finance expenses and the amount of $40 that was allocated to common shares was recorded as deduction from share capital and premium.

NOTE 18 - EQUITY (Cont.)

B. Issuance of common shares (Cont.):

8. Since October 2022, the Company has borrowed from various institutions more than US$8,000 thousand (approximately $10,832) (collectively, the "Loans"). As required by the lenders, the Company's chairman of the Board and the Chief Executive Officer (the "Guarantor") has personally guaranteed the Loans. The independent members of the Board commissioned a valuation work which determined that the value of the Guarantor's personal guarantees, which were ascribed the benefit to the Company in total amount of approximately US$560 thousand (approximately $758) (the "Benefit").

   In October 2024, the Company completed an agreement with the Guarantor, under which the Company issued 110,576 common shares and 152,701 pre-funded warrants at a price of $2.88, which equals the Benefit amount. Each of the prefunded warrants is eligible for exercise into one common share at a price of $0.00001 (each of the prefunded warrant may be exercised also through cashless exercise basis), upon receipt of shareholders' approval to allow the Guarantor to become a control person (as defined under the policies of the CSE). In the event the approval from the Company's shareholders is not received on or before March 31, 2025, the Guarantor agrees to return the prefunded warrants to the Company and the amount of Benefit allocated to the prefunded warrants shall remain owing to the Guarantor.

   The above transaction was accounted for as a share-based compensation in exchange for instruments (i.e. common shares and prefunded warrants) that were issued to the Guarantor. However, since the achievement of the shareholders' approval is beyond the control of the Company, the prefunded warrants were accounted for as derivative liability that was measured in total amount of $440 at the closing date and subsequently at fair value under a marked to market approach, until their exercise or expiration, as earlier. The amount of $318 which was allocated to the common shares was recognized as part of the permanent equity of the Company.

   Through December 31, 2024, the shareholders' approval was not received and none of the pre-funded warrants have been exercised. In addition, as of December 31, 2024, the fair value of the prefunded warrants amounted to $496 based on the quoted price of the common shares. Consequently, during the period commencing the settlement date through December 31, 2024, the Company recognized revaluation expenses of $56.

9. During the year ended December 31, 2022, the Company issued 3,622 common shares upon exercise of options for total consideration of $333. In addition, during the year ended December 31, 2023, the Company issued 9,167 common shares upon vesting of RSUs.

Canadian Dollars in thousands, except share and per share data

NOTE 18 - EQUITY (Cont.)

C. Share-based payment

1. Share option plan

Awards granted under the Company's current plan which was approved by the Board on December 19, 2018 ("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 discretion of the 2018 Plan administrator, if an award has not been exercised within seven years after the grant date, the award expires. As of December 31, 2024, 1,310,142 common shares are available for future grants under the 2018 Plan.

2. The following table presents the Company's options activity under the 2018 Plan for the reported periods:

	Year ended December 31, 2024	
	Number of options	**Weighted average exercise price in CAD**
Options outstanding at the beginning of the year	54,242	172.3
Options granted during the year	31,305	3.0
Options forfeited during the year	(44,137)	210.13
Options outstanding at the end of year	41,410	227.9
Options exercisable at the end of year	20,641	183.3

	Year ended December 31, 2023	
	Number of options	**Weighted average exercise price in CAD**
Options outstanding at the beginning of the year	86,528	225.6
Options granted during the year	500	6.6
Options forfeited during the year	(32,786)	310.7
Options outstanding at the end of year	54,242	172.3
Options exercisable at the end of year	49,907	170.3

Canadian Dollars in thousands, except share and per share data

NOTE 18 - EQUITY (Cont.)

C. Share option plan (Cont.)

2. (Cont.)

	Year ended December 31, 2022	
	Number of options	**Weighted average exercise price in CAD**
Options outstanding at the beginning of the year	90,721	234.6
Options granted during the year	5,417	65.1
Options exercised during the year	(3,784)	96.0
Options forfeited during the year	(5,826)	299.4
Options outstanding at the end of year	86,528	225.6
Options exercisable at the end of year	60,128	221.7

The weighted average remaining contractual life for the options outstanding as of December 31, 2024 was 1.78 years (2023 - 3.76 years).

3. The following table presents the assumptions used to estimate the fair values of the options granted in the reported periods:

	Year ended December 31,		
	2024	**2023**	**2022**
Share price (in CAD)	$3.0	$6.6	$13.8-$163.8
Exercise price (in CAD)	$3.0	$6.6	$13.8-$163.8
Expected life (years)	1.25	5	4-5
Volatility (%)	68.6-69.6	104.4-109.35	77.04-107.03
Annual risk-free rate (%)	3.23	3.55-3.65	1.43-3.85
Dividend yield (%)	-	-	-

During the years ended December 31, 2024, 2023 and 2022, the weighted average fair value of each option on grant date was $1.24, $4.7 and $5.32, respectively.

4. The following table presents the Company's restricted share units ("RSUs") activity under the 2018 Plan for the reported periods:

	Number of RSUs	
	2023	**2022**
RSUs outstanding at the beginning of the year	9,167	9,167
RSUs exercised during the year	(9,167)	-
Outstanding at the end of the year	-	9,167
Exercisable at the end of year	-	6,891

5. As of December 31, 2024, there was $14 of unrecognized compensation expense related to unvested options which expected to be recognized over a weighted average period of approximately 1 year.

Canadian Dollars in thousands, except share and per share data

NOTE 19 - ADDITIONAL INFORMATION TO PROFIT OR LOSS ITEMS

A. Additional information on revenue:

	Year ended December 31,		
	2024	2023	2022
Cannabis products	$ 51,355	$ 44,246	$ 48,384
Other products	2,696	4,558	5,951
	$ 54,031	$ 48,804	$ 54,335

(*) All products are sold through one reporting unit. See also Note 23 below.

B. Cost of revenue:

	Year ended December 31,		
	2024	2023	2022
Salaries and related expenses	$ 453	$ 457	$ 759
Materials	40,517	36,265	36,738
Write-off	3,878	-	-
Professional fees	519	418	202
Depreciation	7	7	55
Miscellaneous	206	827	5,290
	$ 45,580	$ 37,974	$ 43,044

C. Selling and marketing expenses:

	Year ended December 31,		
	2024	2023	2022
Salaries and related expenses	$ 3,455	$ 5,677	$ 6,398
Advertising	832	1,568	2,075
Professional fees	13	36	66
Depreciation	1,627	2,325	1,941
Miscellaneous	1,142	1,182	993
	$ 7,069	$ 10,788	$ 11,473

D. General and administrative expenses:

	Year ended December 31,		
	2024	2023	2022
Salaries and related expenses	$ 2,218	$ 2,314	$ 4,027
Insurance	1,321	1,847	1,566
Professional fees, net (*)	2,022	4,095	4,689
Depreciation	550	669	819
Impairment	-	-	3,905
Miscellaneous	1,907	2,083	6,454
	$ 8,018	$ 11,008	$ 21,460

(*) Includes management fee incurred indirectly through an entity controlled by the main shareholder. See Note 24B below.

NOTE 19 - ADDITIONAL INFORMATION TO PROFIT OR LOSS ITEMS (Cont.)

E. Restructuring expenses:

On April 6, 2022, Focus closed the "Sde Avraham", cultivation facility in Israel, resulting restructuring expenses related to impairment of property, plant and equipment, biological assets and right of use asset and liabilities, in the total amount of $4,383.

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

F. Other expenses:

1. Oranim Plus Pharm Ltd.

On December 1, 2021, IMC Holdings signed a definitive agreement to acquire 51% of the rights in Oranim for an aggregate consideration of approximately NIS 11,900 thousand (approximately $4,900), comprised of NIS 5,200 thousand (approximately $2,100) paid in cash upon signing, NIS 5,200 thousand (approximately $2,100) to be paid in cash on the first quarter of 2023 and NIS 1,500 thousand (approximately $700) through issuance of common shares.

In addition, a "Put" option and a "Call" option were agreed between the parties accordingly the seller had a sole "Put" option to sell the remaining shares any time, and the Company had a sole "Call" option to purchase the remaining shares of the seller any time, over a period of 36 months. The value of Oranim shall be determined within 30 days from exercise notice by one of the parties. The "Put" option exercise price in the first 12 months had a 15% discount and the "Call" option exercise price had an extra 15% to the agreed value. Over the next 12 months the discount or the extra payment for the "Put" option and for the "Call" option were 10% each and for the last 12 months 2.5% each. Due to the above "Put" option, the non-controlling interests were classified as financial liability and were not accorded for to their shares in the subsidiary (see Note 3R above).

In 2021, the Company paid an amount of NIS 5,200 thousand (approximately $2,100). In 2022, the Company issued 4,184 common shares (see also Note 18B3 above).

In April 2023, an amendment was signed under which the remaining amount shall be paid in six equal installments by February 2024. However, such amount was not paid.

As of December 31, 2023, the Company had an outstanding accrued consideration payable to Oranim's former shareholder amounted to $2,097 and liability which represents the full discounted amount of the exercise price of the Put option amounted to $2,697, while the fair value of the "Call" option held by the Company was determined to be zero, as the exercise price at any time was higher than the fair value of the target shares.

Through a new amendment signed January 10, 2024, all remaining unpaid installments were postponed to April 15, 2024 and shall accrue an interest charge at a rate of 15%. Failure to meet the remaining unpaid installments will result in the transfer of the rights in Oranim (51%) back to the seller, along with the revocation of the transaction.

On April 15, 2024, the parties mutually agreed to terminate the transaction according to which the Company's obligations for the remaining consideration were cancelled and the Company's "Call" option and the seller "Put" option were expired. As a result, the Company transferred its rights in Oranim (51%) back to the seller. Consequently, the Company recorded expenses amounting to $2,734 as a result of deconsolidation of the financial results of Oranim.

Canadian Dollars in thousands, except share and per share data

NOTE 19 - ADDITIONAL INFORMATION TO PROFIT OR LOSS ITEMS (Cont.)

F. Other expenses (Cont.):

1. Oranim Plus Pharm Ltd.

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

	April 15, 2024	December 31, 2023
ASSETS		
CURRENT ASSETS:		
Cash	$ 346	$ 308
Trade receivables	1,324	1,289
Other current assets	759	761
Inventory	837	725
	3,266	3,083
NON-CURRENT ASSETS:		
Property, plant and equipment, net	783	802
Right-of-use assets, net	533	565
Intangible assets, net	1,414	1,575
Goodwill	3,499	3,455
	6,229	6,397
Total assets	$ 9,495	$ 9,480
LIABILITIES		
CURRENT LIABILITIES:		
Trade payables	$ 1,597	$ 1,477
Other current liabilities	166	230
Current maturities of operating lease liabilities	155	152
	1,918	1,859
NON-CURRENT LIABILITIES:		
Operating lease liabilities	372	406
Deferred tax liability, net	326	364
	698	770
Total liabilities	$ 2,616	$ 2,629
Purchase consideration payable	$ 2,172	$ 2,097
Put option liability	$ 1,973	$ 2,697

2. Panaxia

On June 30, 2023, an entity responsible for operating the Israeli medical cannabis distribution licensed center that was acquired within the Panaxia Transaction, ceased its operations at the licensed trading house located in Lod, Israel. Consequently, the Company transitioned the operation that was conducted through IMC Pharma to third-party entities and to its own trading house. During the year ended December 31, 2024, the Company recorded a goodwill impairment of $495 related to Panaxia activity.

Canadian Dollars in thousands, except share and per share data

NOTE 20 - 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 the reported periods is 26.5%.

2. The Israeli subsidiaries are subject to Israeli corporate income tax rate of 23% for the reported periods.

3. The German subsidiary is subject to weighted tax rate of approximately 29.1% (composed of Federal and Municipal tax) for the reported periods.

B. Carryforward net operating losses for tax purposes:

As of December 31, 2024, the carryforward net operating tax losses of the Israeli subsidiaries amounted to approximately $37,111, which can be carried forward to future years and offset against taxable income in the future without any time limitation. Deferred tax assets were not recorded with regard to IMC, Focus and I.M.C. Pharma Ltd. since the entities do not anticipate to utilize the net operating losses in the foreseeable future.

As of December 31, 2024, the carryforward net operating tax losses of the German subsidiary amounted to approximately $14,635 which can be carried forward without time restrictions and can be deducted from future profits and capital gains unless they exceed EUR 1,000 thousand (approximately $1,497). Any excess of such an amount will be limited to 60% of the profits or capital gains. Unused carried forward losses will be subject to such limitation in the future. No deferred tax assets were recorded with regards to the German subsidiary since the Company does not anticipate to utilize the net operating losses in the foreseeable future.

C. Income tax expense (tax benefit):

	Year ended December 31, 2024	2023	2022
Current taxes	$ 28	$ 182	$ 688
Deferred taxes, net	(150)	394	(1,810)
Taxes on income from previous years	(901)	195	(16)
	$ (1,023)	$ 771	$ (1,138)

Canadian Dollars in thousands, except share and per share data

NOTE 20 - TAXES ON INCOME (Cont.)

D. Reconciliation of tax expense (benefit) and the accounting loss multiplied by the Company's domestic tax rate for:

	Year ended December 31,		
	2024	2023	2022
Loss before income tax	$ (12,794)	$ (9,457)	$ (26,060)
Statutory tax rate in Canada 26.5%	(3,390)	(2,506)	(6,906)
Increase (decrease) in income tax due to:			
Non-deductible expenses (non-taxable income), net for tax purposes	(223)	(122)	1,764
Effect of different tax rates of subsidiaries	232	169	599
Adjustments in respect of current income tax of previous years	(708)	195	(16)
Recognition of tax benefits in respect of losses incurred in previous years	1,078	1,565	-
Unrecognized tax benefit in respect of losses incurred for the year	1,059	1,432	4,037
Other adjustments	929	38	(616)
Income tax expense (benefit)	$ (1,023)	$ 771	$ (1,138)

NOTE 21 - DISCONTINUED OPERATIONS AND DECONSOLIDATION

Trichome Group

In 2022, following management strategic review of the Group's operations, the Company decided to discontinue its operation in Canada and sell its subsidiaries in the segment, Trichome Group.

A discontinued operation is a component of the Group that represents a separate major line of business or geographical area of operations and that either has been disposed of or is classified as held for sale. The Trichome Group comprised the geographical operating segment for Canada.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of operations and other comprehensive loss.

The Company identified its decision as an indication of an impairment of Trichome group's CGU. The Company performed an analysis for recoverability of the CGU and recognized an impairment of $115,112, which was recorded under net loss from discontinued operations, net of tax.

On November 7, 2022, Trichome Group filed and obtained an initial order under CCAA, which is a Canadian federal law that permits a Canadian business to restructure its affairs while carrying on its normal course of business with minimal disruption to its customers, suppliers and employees. Per the CCAA proceeding, the court has appointed a monitor, which oversees management activities. The administration of the CCAA process, principally relating to the powers provided to the court and the court appointed monitor, as well as the secured debtholder interests, removed certain elements of control of the business from the Company. As a result, the Company has determined that it no longer has a controlling financial interest over Trichome group as defined in IFRS 10, “Consolidations”, and thus has deconsolidated Trichome as of the CCAA filing date.

Following the deconsolidation, the carrying amount of assets and liabilities of Trichome group were derecognized from the Company’s consolidated statements of financial position. As a result, the Company recorded a loss from derecognition of net assets totaling $17,959 as a non-operating income (loss) and the investment in Trichome group decreased to $nil.

In the context of the CCAA filing, there are no remaining liabilities to the Company or any of its consolidated subsidiaries related to the Canadian entities. The Trichome group was a party to transactions with the Company and its consolidated subsidiaries entered into in the normal course of business; these transactions include recharge of various corporate expenses for services benefiting Trichome group and selling inventory. Up to the CCAA filing date, these transactions were eliminated on consolidation and had no impact on the Company’s consolidated statement of profit or loss. After deconsolidating Trichome group, these transactions were accounted for as third-party transactions amounted to $921 during the period commencing November 7, 2022 through December 31, 2022.

Canadian Dollars in thousands, except share and per share data

NOTE 21 - DISCONTINUED OPERATIONS AND DECONSOLIDATION (Cont.)

Trichome Group's assets and liabilities included in the consolidated statement of financial position immediately prior to the deconsolidation on November 6, 2022, are as follows:

	November 6, 2022
ASSETS	
CURRENT ASSETS:	
Cash	$ 406
Trade receivables	1,047
Other current assets	2,194
Loans receivable	1,010
Biological assets	444
Inventories	6,784
	11,885
NON-CURRENT ASSETS:	
Property, plant and equipment, net	14,645
Right of use assets, net	10,999
Intangible assets, net	17,157
	42,801
Total assets	$ 54,686
LIABILITIES	
CURRENT LIABILITIES:	
Trade payables	$ 7,266
Bank loans and credit facilities	3,774
Other current liabilities	25,217
Current maturities of operating lease liabilities	869
	37,126
NON-CURRENT LIABILITIES:	
Operating lease liabilities	13,517
Deferred tax liability, net	2,872
	16,389
Total liabilities	$ 53,515

Canadian Dollars in thousands, except share and per share data

NOTE 21 - DISCONTINUED OPERATIONS AND DECONSOLIDATION (Cont.)

The results of discontinued operations of Trichome are summarized as follows:

	Period ended November 6, 2022
Revenue	$ 28,171
Cost of revenue	24,227
Gross profit before fair value adjustments	3,944
Fair value adjustments:	
Unrealized change in fair value of biological assets	399
Realized fair value adjustments on inventory sold	(2,528)
Total fair value adjustments	(2,129)
Gross profit	1,815
General and administrative expenses	38,464
Impairment of goodwill, intangible assets, right-of-use assets and fixed assets	115,112
Selling and marketing expenses	4,912
Restructuring expenses	4,506
Share-based compensation	1,130
Total operating expenses	164,124
Operating loss	(162,309)
Finance expenses, net	(5,264)
Loss before taxes on income	(167,573)
Taxes on income	(1,194)
Net loss from discontinued operations, net of tax	$ (166,379)

Below are data on the net cash flow used in the discontinued operations:

	Period ended November 6, 2022
Operating activities	$ (300)
Investing activities	$ (615)
Financing activities	$ (1,850)

Canadian Dollars in thousands, except share and per share data

NOTE 22 - NET LOSS PER SHARE

The net loss from continued operations and the weighted average number of common shares used in computing basic and diluted net loss per share from continued operations during the years ended December 31, 2024, 2023 and 2022, are as follows:

	Year ended December 31,		
	2024	**2023 (*)**	**2022 (*)**
Numerator:			
Net basic loss from continued operations attributable to shareholders of the Company	$ (10,585)	$ (9,498)	$ (22,511)
Change in fair value of derivative warrant liability (see Note 16 below)	-	-	$ (6,014)
Net diluted loss	$ (10,585)	$ (9,498)	$ (28,525)
Denominator:			
Common shares used in computing basic net loss per share from continued operations	2,349,221	2,136,549	1,196,803
Common shares to be issued upon exercise of derivative warrant liability	-	-	50,724
Common shares used in computing diluted net loss per share from continued operations	2,349,221	2,136,549	1,247,527
Basic net loss per common share from continued operations	$ (4.51)	$ (4.45)	$ (18.81)
Diluted net loss per common share from continued operations	$ (4.51)	$ (4.45)	$ (22.86)

(*) Include the effect of Reverse Share Split (see also Note 18A above).

Canadian Dollars in thousands, except share and per share data

NOTE 23 - OPERATING SEGMENTS

A. General information:

Since inception date, the operation of the Group has been conducted through one operating segment, (i.e., sales of medical cannabis products and other products) to customers through certain geographical areas (i.e. Israel and Germany).

	Israel	Germany	Adjustments	Total
Year ended December 31, 2024				
Revenue	$ 38,523	$ 15,508	$ -	$ 54,031
Segment loss	$ (9,314)	$ 942	$ -	$ (8,372)
Unallocated corporate expenses			$ (1,862)	$ (1,862)
Total operating loss				$ (10,234)
Depreciation and amortization	$ 2,014	$ 170	$ -	$ 2,184

	Israel	Germany	Adjustments	Total
Year ended December 31, 2023				
Revenue	$ 43,316	$ 5,488	$ -	$ 48,804
Segment loss	$ (6,627)	$ (1,615)	$ -	$ (8,242)
Unallocated corporate expenses			$ (4,550)	$ (4,550)
Total operating loss				$ (12,792)
Depreciation and amortization	$ 2,823	$ 173	$ -	$ 2,996

	Israel	Germany	Adjustments	Total
Year ended December 31, 2022				
Revenue	$ 50,500	$ 3,835	$ -	$ 54,335
Segment loss	$ (23,606)	$ (3,225)	$ -	$ (26,831)
Unallocated corporate expenses			$ (3,960)	$ (3,960)
Total operating loss				$ (30,791)
Depreciation and amortization	$ 1,424	$ 701	$ -	$ 2,125

B. Major customers

During the year ended December 31, 2024, the Company had two customers which accounted for approximately 32% of the Group's total revenue. During the years ended December 31, 2023 and 2022, the Company had no customer that individually is exceeding 10% of the Group's total revenue.

Canadian Dollars in thousands, except share and per share data

NOTE 24 - BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES

A. Balances and transactions:

The following table summarizes balances with related parties in the statements of financial position:

	December 31, 2024	December 31, 2023
Other current assets - main shareholders (Note 6)	$ 134	$ -
Other current assets - former non-independent director (Note 6)	$ -	$ 839
Trade payables - related party (Note 12)	$ -	$ 187
Other current liabilities - related parties (Note 13)	$ 427	$ 239
Convertible debentures issued to main shareholders (Note 15)	$ 446	$ -
Derivative warrants liabilities and prefunded warrants issued to main shareholders (Note 16)	$ 914	$ 8

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, 2024	2023	2022
General and administrative expenses - management fee (1)	$ 498	$ 641	$ 1,064
Finance income (expense) - Interest in income on loans granted to (received from) main shareholders	$ (53)	$ 45	$ 26
Finance income - Revaluation of derivative warrants liabilities granted to main shareholders	$ 155	$ 1,450	$ -
Finance expenses - Revaluation of prefunded warrants granted by main shareholder	$ 56	$ -	$ -
Finance expenses - Extension fee and discount amortization expenses in respect of convertible debentures granted to main shareholders	$ 87	$ -	$ -
Finance expenses - Compensation expenses in respect of guarantees granted by main shareholder	$ 815	$ -	$ -

(1) Include mainly compensation for management services incurred indirectly by an entity controlled by the main shareholder offset by income resulted from subleasing agreement executed between the parties.

Canadian Dollars in thousands, except share and per share data

NOTE 24 - BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont.)

B. Compensation of key management personnel of the Group:

The Company's key management personnel are directors, senior executives and management entity controlled by the main shareholder, which provides the Company with key management personnel services.

	Year ended December 31, 2024	2023	2022
Payroll and related expenses	$ 1,094	$ 704	$ 916
Share-based compensation	$ 63	$ 513	$ 437
Professional fees (*)	$ 724	$ 852	$ 1,040

(*) Includes management fees charges during the years ended December 31, 2024, 2023 and 2022 of $481, $475 and $503, respectively.

NOTE 25 - FINANCIAL INSTRUMENTS

A. Financial risk management

1. General

The Company's activity exposes it to a variety of financial risks which include market risks, credit risks and liquidity risks. At each period, the Group examines the aforesaid financial risks and makes decisions accordingly.

Risk management is carried out by the Company's management, which identifies, evaluates and defines the risks as much as possible.

The Company does not have material balances of assets and financial liabilities that are linked to any base and thus information about linkage bases of balances is excluded.

2. Financial risk factors

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

A. Unquoted equity instruments risk

Investment in unquoted equity instrument is sensitive to market price risk arising from uncertainties about future value of this investment. The Company's Board reviews and approves all decisions related to investment in unquoted equity instrument. As of December 31, 2024 and 2023, exposure to investment in one unquoted equity instrument measured at fair value was $1,631 and $2,285, respectively. See also Note 8 above.

B. Price risks of Company's common share

As of December 31, 2024, the Company is exposed to risks arising from changes in the price of its warrants and prefunded warrants measured at fair value through profit or loss as resulted from issuance of warrants to investors through private placement offering transaction and settlement agreements and issuance of the prefunded warrants as compensation to related party due to personal guarantees provided (see also Note 16 above). The fair value of such derivative liabilities is subject the Company to recognize losses in case there will be change in the price of the Company's ordinary share. However, the settlement of these liabilities will be through the exercise of the Company’s common shares.

Canadian Dollars in thousands, except share and per share data

NOTE 25 - FINANCIAL INSTRUMENTS (Cont.)

A. Financial risk management (Cont.)

2. Financial risk factors (Cont.)

C. Liquidity risk

Since its inception date, the Company has financed its business activities through raising capital, inter alia, through public offering, non-broker private placement transactions and credits from bank institution and others.

As of December 31, 2024, the Company’s negative working capital amounted to $11,554 thousand. Based on the Group's working capital position as of December 31, 2024, management considers liquidity risk to be high.

The Company's policy is to manage its liquidity by examining current forecasts to manage the cash for operational needs in the normal course of business. Depending on current needs, the Company periodically carries out additional raising of capital.

D. Credit risks

1. As of December 31, 2024, the cash is mostly deposited in various bank institutions in Israel and Germany. The management regularly evaluates the financial strength of the financial institutions with which the Company engages. Accordingly, the Company's management believes that the credit risk to these balances is low.

   The Group is exposed to credit risks resulting from its operating activities (mainly from outstanding trade receivables). Upon the preparation of forecasted credit losses, the Company uses its previous experience and information accrued from different financial resources. Based on that, the Company segregates its customers to classes according to the different risk levels in a manner in which it can estimate the probability of a credit default.

2. Below is the breakdown of the Company’s financial assets subject to credit risks:

	December 31,	
	2024	2023
Cash	$ 863	$ 1,813
Restricted cash deposit	$ 64	$ -
Trade receivables	$ 13,803	$ 7,651

E. Currency rate risk:

As of December 31, 2024, a portion of the Group's financial assets and liabilities denominated in EUR, NIS and USD currency consist of cash in the amount of EUR 293 thousand (approximately $196), NIS 551 thousand (approximately $1,397), USD nil thousand (approximately $nil), 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 to its foreign currency cash flows as management has determined that this risk is not significant at this point of time.

Canadian Dollars in thousands, except share and per share data

NOTE 25 - FINANCIAL INSTRUMENTS (Cont.)

B. Fair value of financial instruments

The Company's financial instruments that are included in the working capital include cash, restricted cash deposit, trade receivables, other current assets, trade payables, other current liabilities and credits from bank institutions and others. The balances of the financial instruments as stated in the balance sheet as of December 31, 2024 and 2023, constitute an approximation to their fair value.

In addition, the Company has operating lease liabilities and convertible debentures that are measured at the initial recognition date at fair value and in subsequent periods at the amortized cost using the effective interest method (see also Note 11 and Note 15 above, respectively). Taking into consideration the balance of such liabilities and that there has not been a significant change in the discount rate used for recognition of the liabilities and the current discount rate, the carrying amount constitutes an approximation of fair value.

C. A summary of financial instruments broken down by group:

	December 31, 2024	December 31, 2023
Financial assets measured at depreciated cost		
Cash	$ 863	$ 1,813
Restricted cash deposit	64	-
Trade receivables	13,803	7,651
Other current assets	2,876	3,679
	17,606	13,143
Financial liabilities measured at depreciated cost		
Operating leasing liabilities (including current maturity)	433	1,269
Credit from bank institution and others (including current maturity)	15,145	12,513
Convertible debentures	1,968	-
Trade payables	11,159	9,223
Accrued purchase consideration liabilities	-	2,097
Other current liabilities	4,392	5,314
	33,097	30,416
Financial liabilities measured at fair value		
Put option liability	-	2,697
Derivative warrants liabilities and prefunded warrants	$ 1,968	$ 38

D. Company capital risk management policy

The objectives of the Group's capital risk management policy are to preserve its ability to continue operating as a going concern in order to provide shareholders with a return on their investment, and to maintain an optimal capital structure in order to reduce capital costs.

The Company may take various steps in order to preserve or adjust its capital structure, including the issuance of new shares and options by way of capital raising rounds in order to comply with obligations repayment and continue its activity.

NOTE 26 - SUBSEQUENT EVENTS

A. On January 5, 2025, IMC Holdings entered into agreement with third party under which the rights (51%) in Telecana have been sold for total consideration of NIS 350 thousand (approximately $138).

B. In February 2025, Telecana repaid a principal loan granted in previous year to IMC Holdings in total amount of NIS 70 thousand (approximately $28) out of NIS 100 thousand (approximately $39) to be paid.

C. As noted in Note 14C above, on January 16, 2025, the IMC Holdings entered into a second amendment to an agreement with non-financial institution for extension of the maturity date of the loan amounted NIS 1,800 thousand (approximately $709) until May 16, 2025. As part of the extension, IMC Holdings agreed to pay an additional fee of NIS 150 thousand (approximately $59) and the non-financial institution is entitled to request the immediate repayment of EUR 35 thousand (approximately $52) at any time by submitting a written request.

D. As Noted in Note 14F above, on January 30, 2025, Yarok Pharm entered into a first amendment to an agreement with non-financial institution under which it was agreed that principal amount of NIS 1,000 thousand (approximately $393) will be paid and the maturity date was extended until October 31, 2025.

E. As noted in Note 14B above, on March 5, 2025, IMC Holdings entered into a fourth amendment to an agreement with non-financial institution for extension of the maturity date of the loan amounted to NIS 4,500 thousand (approximately $1,772) until June 30, 2025.

F. On February 1, 2025, Bank Mizrahi has been extending the short-term loan granted to the Company on a weekly basis.

G. On March 20, 2025, the Company and Bank Mizrahi signed an agreement under which it was agreed to refinance the short-term loan of NIS 5 million (approximately $1,950) received from the Bank Mizrahi under which it was agreed that (i) an outstanding principal loan amounted to NIS 4 million (approximately $1,560) will be extended as a loan with a six-month grace period, after which repayment will be made in 31 monthly installments commencing September 10, 2025. The principal loan will not require a personal guarantee, and will bear an interest at a rate of P+2.9% to be paid monthly, commencing April 20, 2025 and (ii) the remaining amount of NIS 1 million (approximately $390) will be extended as a credit line from March 19, 2025 to March 12, 2026.