

FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

IM Cannabis Corp. (the “**Company**”)
550 Burrard St. #2300
Vancouver, British Columbia V6C 2B5

Item 2 Date of Material Change

May 7, 2021

Item 3 News Release

News releases disclosing the material change were disseminated on May 4, May 5 and May 10, 2021 through the facilities of Accesswire and subsequently filed on the System for Electronic Document Analysis and Retrieval at www.sedar.com (“**SEDAR**”).

Item 4 Summary of Material Changes

On May 4, 2021, the Company announced a proposed overnight marketed offering of the Company's common shares on a best-efforts agency basis. On May 5, 2021, the Company announced that it had entered into a best-efforts agency agreement and definitive securities purchase agreements with certain institutional investors in the United States. On May 10, 2021, the Company announced that it had closed the previously announced overnight marketed offering (the “**Offering**”) of 6,086,956 common shares of the Company (each an “**Offered Share**”) at a price of US\$5.75 per Offered Share for aggregate gross proceeds of approximately US\$35,000,000.

The Company also issued 3,043,478 common share purchase warrants (each a “**Warrant**”) to purchasers of Offered Shares, for no additional consideration, that entitle the holders to purchase common shares of the Company at an exercise price of US\$7.20 for a term of 5 years from May 7, 2021 (the “**Closing Date**”). The agents hold an over-allotment option to purchase an additional 913,044 Offered Shares and 465,522 Warrants on the same terms and conditions for a period of 30 days following the Closing Date.

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

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A.G.P./Alliance Global Partners and Roth Capital Partners acted as co-lead agents for the Offering in connection with offers and sales in the United States. Roth Canada, ULC acted as the sole agent in Canada pursuant to the Agency Agreement. The securities offered under the Offering were issued and sold in the United States and in the provinces of British Columbia, Ontario and Alberta in Canada in accordance with

applicable securities laws. BMO Nesbitt Burns Inc. acted as part of the selling group relating to the Offering in Canada.

The Offering was conducted pursuant to the Company's effective shelf registration statement on Form F-10 (File No. 333-254255) filed with the U.S. Securities and Exchange Commission (the "SEC") and the corresponding Canadian Shelf Prospectus filed with the securities regulatory authority in each of the provinces and territories of Canada. On May 4, 2021 the Company filed a preliminary prospectus supplement and on May 5, 2021, the Company filed a final prospectus supplement in Canada, which were also filed with the SEC.

The Company intends to use the net proceeds of the Offering for: (i) supporting growth initiatives in core markets of Israel, Germany and Canada; (ii) additional strategic mergers and acquisitions opportunities; and (iii) general working capital purposes.

The Company agreed, subject to certain limited exceptions, not to sell any common shares of the Company or any securities convertible into or exchangeable for common shares for a period of 60 days from the Closing Date.

Marc Lustig, a director of the Company, participated in the Offering on the same terms and conditions as all other purchasers participating in the Offering. Mr. Lustig is considered a "related party" of the Company, accordingly, the purchase of such securities of the Company constituted a "related party transaction", as such terms are defined by Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"). Mr. Lustig received 65,000 Offered Shares and 32,500 Warrants, which is in addition to his existing position of 761,839 common shares and 675,000 options of the Company. The effect of this transaction on the percentage of securities of the Company beneficially owned or controlled by Mr. Lustig is less than one percent. The Company relied on exemptions from the formal valuation and minority approval requirements of MI 61-101 under subsections 5.5(a) and 5.7(1)(a), respectively, as neither the fair market value of the issued securities to directors and officers of the Company, nor the proceeds for such securities received by the Company exceed 25% of the Company's market capitalization, as calculated in accordance with MI 61-101. The Company did not file a material change report more than 21 days before the closing of the Offering as they wished to close the Offering on a timely basis.

5.2 Disclosure for Restructuring Transactions

Not applicable.

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

Yael Harrosh
General Counsel and Business Director & Corporate Secretary
Tel: +972-54-6687515

Item 9 Date of Report

May 13, 2021

Forward Looking Information

This Material Change Report contains "forward-looking information" within the meaning of applicable securities laws (the "forward-looking statements"), including, but not limited to, statements related to the expected use of proceeds of the Offering. These forward-looking statements are made as of the date of

this Material Change Report. Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the future circumstances, outcomes or results anticipated in or implied by such forward-looking statements will occur or that plans, intentions or expectations upon which the forward-looking statements are based will occur. While the Company has based these forward-looking statements on its expectations about future events as at the date that such statements were prepared, the statements are not a guarantee that such future events will occur and are subject to risks, uncertainties, assumptions and other factors which could cause events or outcomes to differ materially from those expressed or implied by such forward-looking statements. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company is under no obligation to update or alter any forward-looking statements except as required under applicable securities laws.