

## FORM 51-102F3

### MATERIAL CHANGE REPORT

#### **Item 1 — Name and Address of Company**

IM Cannabis Corp. (the “**Company**”)  
Suite 2300 – 550 Burrard Street  
Vancouver, BC, Canada, V6C 2B5

#### **Item 2 — Date of Material Change**

The date of the material change was February 16, 2023.

#### **Item 3 — News Release**

The news release disclosing the material change was issued by the Company through the services of Canada Newswire on February 16, 2023 and subsequently filed on the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

#### **Item 4 — Summary of Material Change**

The Company announced the closing of the fifth and final tranche of its non-brokered offering of units of the Company (“**Units**”), which were offered and sold pursuant to the listed issuer financing exemption under Part 5A of National Instrument 45-106 – *Prospectus Exemptions* (the “**LIFE Offering**”). An aggregate of 505,798 Units at a price of US\$1.25 per Unit for aggregate proceeds of US\$632,247.50 were issued and sold under the fifth tranche of the LIFE Offering. In addition, Marc Lustig, a non-independent director of the Company subscribed for 29,548 Units at an aggregate subscription price of US\$36,935. The director's subscription price was satisfied by the settlement of US\$36,935 in debt owed by the Company to the director for certain consulting services previously rendered by the director to the Company. The Units that were issued pursuant to the LIFE Offering are not subject to any statutory hold period in accordance with applicable Canadian securities laws.

#### **Item 5 — Full Description of Material Change**

##### **5.1 – Full Description of Material Change**

The Company announced the closing of the fifth and final tranche of its LIFE Offering. An aggregate of 505,798 Units at a price of US\$1.25 per Unit for aggregate proceeds of US\$632,247.50 were issued and sold under the fifth tranche of the LIFE Offering. In addition, Marc Lustig, a non-independent director of the Company subscribed for 29,548 Units at an aggregate subscription price of US\$36,935. The director's subscription price was satisfied by the settlement of US\$36,935 in debt 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 of the Company (each, a “**Common Share**”) and one Common Share purchase warrant (each, a “**Warrant**”). Each Warrant entitles its holder to purchase one additional Common Share at an exercise price of US\$1.50 for a period of 36 months from the date of issue. The Units in the LIFE Offering were offered for sale to purchasers resident in Canada (except Quebec) and/or other qualifying jurisdictions pursuant to the listed issuer financing exemption under

Part 5A of National Instrument 45-106 – *Prospectus Exemptions*, and are not subject to any statutory hold period in accordance with applicable Canadian securities laws.

The Company intends to use the net proceeds from the LIFE Offering for general working capital purposes.

As a result of the participation by Mr. Lustig, the LIFE Offering is considered a “related party transaction” pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”). The Company relied on Sections 5.5(a) and 5.7(1)(a) of MI 61-101 for exemptions from the requirements to obtain a formal valuation and minority shareholder approval, respectively, because the fair market value of insider participation in the LIFE Offering was below 25% of the Company’s market capitalization for purposes of MI 61-101.

The following table sets out the effect of Mr. Lustig’s participation in the fifth tranche of the LIFE Offering on the percentage of securities of the Company beneficially owned or controlled by him, directly or indirectly.

<b>Insider</b>	<b>Subscription Amount (US\$)</b>	<b>Number of Units issued</b>	<b>Percentage (%) of issued and outstanding Common Shares prior to closing of the fifth tranche of the LIFE Offering</b>	<b>Percentage (%) of issued and outstanding Common Shares held after closing of the fifth tranche of the LIFE Offering</b>
Marc Lustig	\$36,935	29,548	Undiluted: 2.51% Diluted: 4.33%	Undiluted: 2.63% Diluted: 4.59%

The board of directors of the Company approved the participation of Mr. Lustig in the fifth tranche of the LIFE Offering, including his subscription agreement with the Company for the acquisition of Units. A special committee was not established in connection with the approval of the LIFE Offering and no contrary view was raised by any director with respect to the related party transaction. Mr. Lustig, a director of the Company, abstained from voting on the resolutions approving his additional subscription in the LIFE Offering. Mr. Lustig had previously participated in the second tranche of the LIFE Offering.

The Company did not file a material change report 21 days before the closing of the fifth tranche of the LIFE Offering as the participation therein by Mr. Lustig was not finalized until, or close to, the date of the closing of the fifth tranche of the LIFE Offering and the Company wished to complete the fifth tranche of the LIFE Offering in a timely manner.

This material change report does not constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of any of the Units in any jurisdiction in which such offer, solicitation or sale would be unlawful. The Units, Common Shares, Warrants and common shares issuable on exercise of the Warrants (“**Warrant Shares**”) have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), or any state securities laws. Accordingly, the Units, Common Shares, Warrants and Warrant Shares may not be offered or sold within the United States, its territories or possessions, any state of the United States or the District of Columbia (collectively, the “**United States**”) or to, or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the U.S. Securities Act) except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable securities laws of any state of the United States.

**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  
Chief Legal and Operations Officer  
+972-54-6687515

***Item 9* — Date of Report**

February 23, 2023