

**FORM 51-102F3
MATERIAL CHANGE REPORT**

Item 1: Name and Address of Company

IM Cannabis Corp. (the “Company”)
Kibbutz Glil Yam
Central District 4690500 Israel

Item 2: Date of Material Change

October 4, 2024 and November 12, 2024.

Item 3: News Release

News releases were disseminated on October 4, 2024 and November 12, 2024 via Canadian Newswire and filed on the Company’s SEDAR+ profile at www.sedarplus.ca.

Item 4: Summary of Material Change

Private Placement

Effective November 12, 2024 (the “Closing Date”), further to the Company’s press release dated October 4, 2024 (the “October 4 Release”), the Company closed its non-brokered private placement offering (the “Offering”) for gross proceeds of C\$2,138,448.96 through the issuance of 742,517 units (each, a “Unit”).

All securities issued under the Offering are subject to: (i) a four month and one day hold period from the date of issuance and (ii) applicable legends as required pursuant to the *United States Securities Act of 1933*, as amended.

The Company intends to use the proceeds from the Offering for the repayment of a loan to A.D.I. CAR ALARMS & STEREO SYSTEMS Ltd. provided to the Company’s subsidiary IMC Holdings Ltd. on October 11, 2022.

Loan Bonus and Debt Settlement

Effective November 12, 2024, further to the October 4 Release, the Company completed a debt settlement (the “Debt Settlement” and together, with the Offering, the “Transactions”) in the amount of US\$560,000.00, approximately C\$758,240.00, based on an exchange rate of US\$1.00 = C\$1.354 as at October 3, 2024, as published on the website of the Bank of Canada, with Oren Shuster, the Company’s Chief Executive Officer, in connection with the Benefit (as defined herein), to preserve the Company’s cash for working capital through the issuance of 110,576 Settlement Shares (as defined herein) and 152,701 Pre-Funded Warrants (as defined herein) at a deemed price of C\$2.88.

All securities issued in consideration for the Benefit are subject to: (i) a four month and one day hold period from the date of issuance and (ii) applicable legends as required pursuant to the *United States Securities Act of 1933*, as amended.

Corrective Disclosure – Option Cancellation and Grants

The Company corrected the following disclosures made in the October 4 Release:

Option and Warrant Cancellation

Effective October 4, 2024, the Company cancelled an aggregate of 31,305 options exercisable into Shares (as defined herein) (“Options”), not 32,305 Options, which were previously granted to Board (as defined herein) members, officers, employees, advisors and consultants of the Company (each a “Participant”). Management reviewed the Company’s outstanding Options and determined that certain Options granted to such Participants,

at exercise prices ranging from \$6.60 to \$600 per Share, no longer represented a realistic incentive to motivate such Participants.

Effective October 4, 2024, the Company cancelled an aggregate of 142,784 Share purchase warrants (the “**Subject Warrants**”), which were previously granted to Mr. Shuster. Management reviewed the Company’s outstanding warrants and determined that the Subject Warrants at an exercise price of US\$9.00 per Share, no longer represented a realistic incentive to motivate Mr. Shuster.

Option Grant

Effective October 4, 2024, the Company granted an aggregate of 31,305 Options, not 32,305 Options. Each Option granted was at an exercise price of C\$3.00, not the greater of: (i) the Warrant Exercise Price (as defined herein); and (ii) C\$3.00 per Share, with an expiry date of two years from the date of issuance (the “**Option Grants**”). The Options Grants vest as follows: one third vest immediately, one third vests on the six-month anniversary and the final one third vests on the twelve-month anniversary. All securities issued under the Option Grants are subject to a statutory hold period of four months plus one day from the date of issuance, in accordance with the policies of the Canadian Securities Exchange (the “**Exchange**”).

Item 5.1: Full Description of Material Change

Private Placement

Each Unit was sold at a price of C\$2.88 per Unit, calculated on the basis of the deemed price per common shares in the capital of the Company (each, a “**Share**”) equal to the 10-day volume weighted average price of the Shares on the Exchange ending on the trading day preceding October 3, 2024, and consisted of one Share and one Share purchase warrant (each, a “**Warrant**”).

Each Warrant entitles the holder thereof to acquire one additional Share (each, a “**Warrant Share**”) at a price of C\$4.32 per Warrant Share (the “**Warrant Exercise Price**”), calculated as a 50% premium to the Offering Price, at any time prior to 5:00 pm (Toronto Time) on the date that is twenty-four months following the Closing Date.

Loan Bonus and Debt Settlement

Since October 2022, the Company borrowed from various groups more than US\$8,000,000 (together, the “**Loans**”). As required by the lenders, Mr. Shuster personally guaranteed the Loans. The independent members of the board of directors of the Company (the “**Board**”) commissioned a valuation to determine the value of Mr. Shuster’s personal guarantees, which ascribed the benefit to the Company to be approximately US\$560,000 (the “**Benefit**”). The Company and Mr. Shuster settled the amount of the Benefit in Shares (each, a “**Settlement Share**”) and pre-funded Share purchase warrant (each, a “**Pre-Funded Warrant**”) at a deemed price of C\$2.88 per Settlement Share and Pre-Funded Warrant, respectively.

Each Pre-Funded Warrant entitles the holder to purchase one Settlement Share for a price of \$0.00001, upon receipt of shareholder approval to allow Mr. Shuster to become a control person (as defined in the policies of the Exchange).

Related Party Transaction Disclosure

Oren Shuster, a director and officer of the Company, Shmulik Arbel, a director of the Company, and Rafael Gabay, an insider of the Company, (together, the “**Participating Insiders**”) each participated in the Offering and Mr. Shuster participated in the Debt Settlement. Mr. Shuster acquired 194,110 Units, 110,576 Settlement Shares and 152,701 Pre-Funded Warrants, Mr. Arbel acquired 48,349 Units and Mr. Gabay acquired 194,088 Units.

The participation of the Participating Insiders in the Offering constituted a “related party transaction”, as such term is defined in MI 61-101 and would have required the Company to receive minority shareholder approval for and obtain a formal valuation for the subject matter of, the transaction in accordance with MI 61-101, prior to the completion of such transaction. However, in completing the Offering, the Company relied on exemptions from the formal valuation and minority shareholder approval requirements of MI 61-101, on the basis of subsections 5.5(g) and 5.7(g) – *Financial Hardship* of MI 61-101, as (i) the Company was in a situation of

serious financial difficulty; (ii) the Transactions were designed to improve the financial position of the Company as (x) the Company would be unable to repay back the loan provided to A.D.I. CAR ALARMS & STEREO SYSTEMS Ltd. provided to the Company's subsidiary IMC Holdings Ltd. without the completion of the Offering and (y) would have been unable to obtain Loans without Mr. Shuster personal guaranteeing them; (iii) the circumstances described in Section 5.5(f) of MI 61-101 were not applicable, and (iv) the Board and independent directors (as such term is defined in MI 61-101), acting in good faith, determined that (i) and (ii) above applied, and the terms of the Transactions were reasonable in the circumstances of the Company.

Effect of the Transactions					
Name	Insider	# of Securities Acquired	Value	# of Securities Held	% of Securities Held ⁽⁶⁾
Oren Shuster ⁽³⁾	Director and Officer	194,110 Units; 110,576 Settlement Shares; 152,701 Pre-Funded Warrants	C\$1,317,276.80	See Note 3	19.99% ⁽¹⁾ 33.96% ⁽²⁾
Shmulik Arbel ⁽⁴⁾	Director	48,349 Units	C\$139,245	See Note 4	1.78% ⁽¹⁾ 3.29% ⁽²⁾
Rafael Gabay ⁽⁵⁾	Insider	194,088 Units	C\$558,973.44	See Note 5	12.63% ⁽¹⁾ 25.42% ⁽²⁾

Notes:

1. Upon completion of the Transactions on an undiluted basis.
2. Upon completion of the Transactions on a partially diluted basis.
3. Immediately prior to the completion of the Transactions, Oren Shuster, along with his joint actor, Ewawe Group Ltd., a privately held entity of which Mr. Shuster owns and controls 50% of the outstanding voting, owned an aggregate of 312,145 Shares, 21,875 Options and debentures in the principal amount C\$237,214, convertible into up to 46,512 Shares at a deemed price of C\$5.10 per Share. As a result of the Transactions, Mr. Shuster, along with its joint actor, Ewawe Group Ltd., a privately held entity of which Mr. Shuster owns and controls 50% of the outstanding voting, now beneficially owns or controls an aggregate of 616,831 Shares, 194,110 Warrants, 152,701 Pre-Funded Warrants, 21,875 Options and debentures in the principal amount C\$237,214, convertible into up to 46,512 Shares at a deemed price of C\$5.10 per Share.
4. Immediately prior to the completion of the Transactions, Shmulik Arbel owned an aggregate of 6,510 Shares. As a result of the Transactions, Mr. Arbel, now beneficially owns or controls an aggregate of 54,859 Shares and 48,349 Warrants.
5. Immediately prior to the completion of the Transactions, Rafael Gabay, along with his joint actor, Ewawe Group Ltd., a privately held entity of which Mr. Gabay owns and controls 50% of the outstanding voting, owned an aggregate of 195,619 Shares, 1,500 Options, 50,549 Share purchase warrants exercisable into Shares and debentures in the principal amount C\$236,617, convertible into up to 46,395 Shares at a deemed price of C\$5.10 per Share. As a result of the Transactions, Mr. Gabay, along with its joint actor, Ewawe Group Ltd., a privately held entity of which Mr. Gabay owns and controls 50% of the outstanding voting, now beneficially owns or controls an aggregate of 389,707 Shares, 194,088 Warrants, 1,500 Options, 50,549 Share purchase warrants exercisable into Shares and debentures in the principal amount C\$236,617, convertible into up to 46,395 Shares at a deemed price of C\$5.10 per Share.
6. Calculated based on 3,085,452 Shares issued and outstanding upon completion of the Transactions.

The Transactions were unanimously approved by the members of the Board who were independent for the purposes of each Transaction and entitled to vote on each such matter. No special committee approved or was established in connection with the Transactions, and no materially contrary view or abstention was expressed or made by any director; however, the independent members of the Board commissioned a third-party valuator to determine the value of the Benefit.

The Company did not file a material change report more than 21 days before closing the Transactions as the participation of Participating Insiders in the Transactions was not definitively known to the Corporation until closing. In the Company's view, the shorter period was necessary to permit the Company to close the Transactions in a timeframe consistent with usual market practice for transactions of this nature and was reasonable and necessary to improve the Company's financial position.

Aside from agreements entered into with the Company pursuant to the Transactions, the Company will not be entering into any agreement with an interested party or a joint actor with an interested party in connection with the Transactions. To the Company's knowledge, no related party to the Company entered into any agreement with an interested party or a joint actor with an interested party, in connection with the Transactions.

The Company will send a copy of this material change report to any shareholder of the Company who requests a copy of it.

Item 5.2: Disclosure for Restructuring Transactions

Not applicable.

Item 6: Reliance on Subsection 7.1(2) of National Instrument 51-102 (Confidentiality)

Not applicable.

Item 7: Omitted Information

No information has been omitted on the basis that it is confidential information.

Item 8: Executive Officer

For additional information with respect to this material change, please contact:

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Corporate Secretary
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Item 9: Date of Report

November 20, 2024.