ISRACANN BIOSCIENCES INC.

MANAGEMENT DISCUSSION AND ANALYSIS

For the three and six-month period ended November 30, 2021 and 2020

This Management Discussion and Analysis for Isracann Biosciences Inc. (hereinafter referred to "Isracann" or the "Company") provides analysis of the Company's condensed interim consolidated financial results for the six months ended November 30, 2021 and should be read in conjunction with the accompanying condensed interim consolidated financial statements and related notes for the six month period ended November 30, 2021.

1.1 Date of Report

The following Management Discussion and Analysis ("MD&A") focuses on significant factors that have affected Isracann Biosciences Inc. (herein after referred to as the "Company") performance and such factors that may affect its future performance. This MD&A should be read in conjunction with the Company's the Company's condensed interim consolidated financial statements and related notes for the six month period ended November 30, 2021 and audited consolidated financial statements and related notes for the year ended May 31, 2021 which were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Unless otherwise noted, all currency amounts are in Canadian dollars. This MD&A is dated January 31, 2022.

Forward-Looking Information

Certain statements contained in this MD&A constitute forward-looking information and forward-looking statements (collectively, "forward-looking statements") pursuant to the applicable securities laws. All statements, other than statements of historical fact, contained in this MD&A are forward-looking statements, including, without limitation, statements regarding the future financial position, business strategy, proposed acquisitions, budgets, projected costs and plans and objectives of or involving the Company. The use of any of the words "anticipate", "intend", "continue", "estimate", "expect", "may", "will", "plan", "project", "should", "believe", the negative of such terms and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Examples of such statements include: (A) expectations regarding the Company's ability to raise capital; (B) the intention to grow the business and operations of the Company; and (C) the use of available funds of the Company. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to: the Company obtaining necessary financing; the economy generally; obtaining requisite licenses or governmental approvals to conduct business; the revenues from the Company's business in the cannabis industry, if any revenues are obtained; consumer interest in the products of the Company; competition; and anticipated and unanticipated costs. These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to the date of this MD&A. 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 factors identified above are not intended to represent a complete list of the factors that could affect the Issuer. Additional factors are noted under "Risk Factors" in this MD&A. The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this MD&A are made as of the date of this MD&A and the Company does not undertake an obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless required by applicable securities legislation.

Management's Responsibility for Financial Statements

The information provided in this MD&A, including the condensed interim consolidated financial statements, are the responsibility of management. In the preparation of these condensed interim consolidated financial statements, estimates are sometimes necessary to make a determination of the future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been

properly reflected in the accompanying condensed interim consolidated financial statements. Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

1.2 Overall Performance and Nature of the Business

Nature of Business

The principal business focus of the Company is medical cannabis cultivation and distribution to provide products to the Israeli medical cannabis market through the Company's operating subsidiaries. The Company may consider exporting medical cannabis products to Germany when the Israeli government begins granting medical cannabis export permits, which the Israeli government has advised to occur in 2020. There is no guarantee that the Israeli government will begin issuing medical cannabis export permits on the timeline anticipated, or at all.

Effective October 7, 2019, the Company acquired Isracann Holdings Inc. and Cannisra Holdings Ltd. (the "Acquisition") and completed a three old for one new share consolidation (the "Consolidation"), and changed its name to Isracann Biosciences Inc. On completion of the Acquisition the Company changed its business to focus on the production of medical cannabis in Israel and this Acquisition was approved by the Canadian Securities Exchange ("CSE") under its policies as a fundamental change. The Company resumed trading on the CSE under the symbol IPOT on October 17, 2019 and under the symbol A491 on the Frankfurt Exchange on October 21, 2019. All figures herein are post-consolidation unless otherwise indicated

The Company was previously in the business of cryptocurrency mining, and providing co-location, back-up/redundancy IT, telecom equipment, cloud computing to small and medium size businesses in Western Canada. The Company also provided software manufacturing rental facilities to IT start-up companies in Vancouver, British Columbia.

As at the date of this report, the Issuer has the following subsidiaries:

Name of Subsidiary	Jurisdiction of Incorporation	Shareholders and Interest held
Isracann Holdings Inc.	British Columbia	Isracann Biosciences Inc. (100%)
Isracann Biosciences Capital Ltd.	Israel	Isracann Holdings Inc. (100%)
Isracann Operations Ltd.	Israel	Isracann Holdings Inc. (100%)
Isracann Development Ltd.	Israel	Isracann Biosciences Capital Ltd. (100%)
Isracann Agritech Ltd.	Israel	Isracann Biosciences Capital Ltd. (100%)
Isracann Administrative Services Ltd.	Israel	Isracann Biosciences Capital Ltd. (100%)
Cannisra Holdings Ltd.	Israel	Isracann Biosciences Inc. (99%)
Cannisra Crops Ltd.	Israel	Cannisra Holdings Ltd. (74%)

Isracann Holdings Inc. and Cannisra Holdings Ltd.

On March 12, 2019, the Company entered into a Securities Exchange Agreement with Isracann Holdings Inc. ("Isracann Holdings") which resulted in the acquisition of all the issued and outstanding shares of Isracann, a company incorporated in British Columbia, Canada. The transaction closed on October 7, 2019.

The Acquisition results in the Company having control of Cannisra and Isracann Holdings, including Isracann Holding's subsidiaries Isracann Agritech Ltd., Isracann Development Ltd. and Isracann Administrative Services Ltd.

The Company through its subsidiaries, has an agreement with a farmer (the "Farmer") to access certain lands for the purposes of development of its cultivation facilities, which are under appropriate license applications in Israel for the purposes of cannabis cultivation. The Farmer, who has non-controlling interests in Cannisra, is expected to retain 60,000 ISL (approximately $24,000) on an annual basis. In 2021, the Company received a notice from the Israeli government requesting an adjustment to the revenue structure between the Company and the Farmer. The expected annual amount retained by the Farmer is unknown at this time.

As a result of the Acquisition, the Company obtained binding agreements over cannabis cultivation license rights in the form of preliminary breeding and cultivation license, design permits and related intangible assets. The Company is currently in the process of transferring of the cannabis license rights held by the Farmer to CCL. As at November 30, 2021, these licenses have been fully impaired as the project is currently on hold as the Company is shifting its focus to the Cannation operations (See "Cannation" below).

At the time of this MD&A, CCL is in the process of obtaining an approval of "exceptional use of the land" pursuant to Israel's Agricultural Settlement Law (Restrictions on the Use of Agricultural Land and Water). The approval allows CCL to construct the Venture's cultivation facilities. CCL has submitted its application in September 2019 and is currently responding to comments from the Settlement Commissioner. Other requirements prior to operating include approvals from the Ministry of Health (the "Yakar") for transfer of the preliminary licenses from the Farmer to CCL, Yakar approval of CCL's first harvested crops, and final approval of the license from the Yakar.

Cannation Transaction

During the year ended May 31, 2020, the Company closed a transaction to acquire 50% of the shares in Cannation Ltd. ("Cannation") from an existing shareholder of Cannation (the "Seller") for 7,000,000 ILS (approximately $2.7 million). Cannation owns two near-term farm operations: (i) five thousand square meters growing facility (the "5 Dunam Facility"); and (ii) ten thousand square meters growing facility ("10 Dunam Facility"), both located in the HaSharon region in Israel.

Upon closing, the Company received 4.9% of the shares in Cannation and the transfer of the 45.1% balance of remaining shares (the "Remaining Shares") is subject to the approval of the Israeli Medical Cannabis Agency in the Israeli Ministry of Health as at the date of this report. On June 1, 2021, the Company received the remainder of the 45.1% shares of Cannation and increased its shareholding in Cannation from 4.9% to 50%. Upon the completion of the share transfer, the Company appointed two representatives to Cannation's board of directors. As a result, the Company obtained joint control over Cannation.

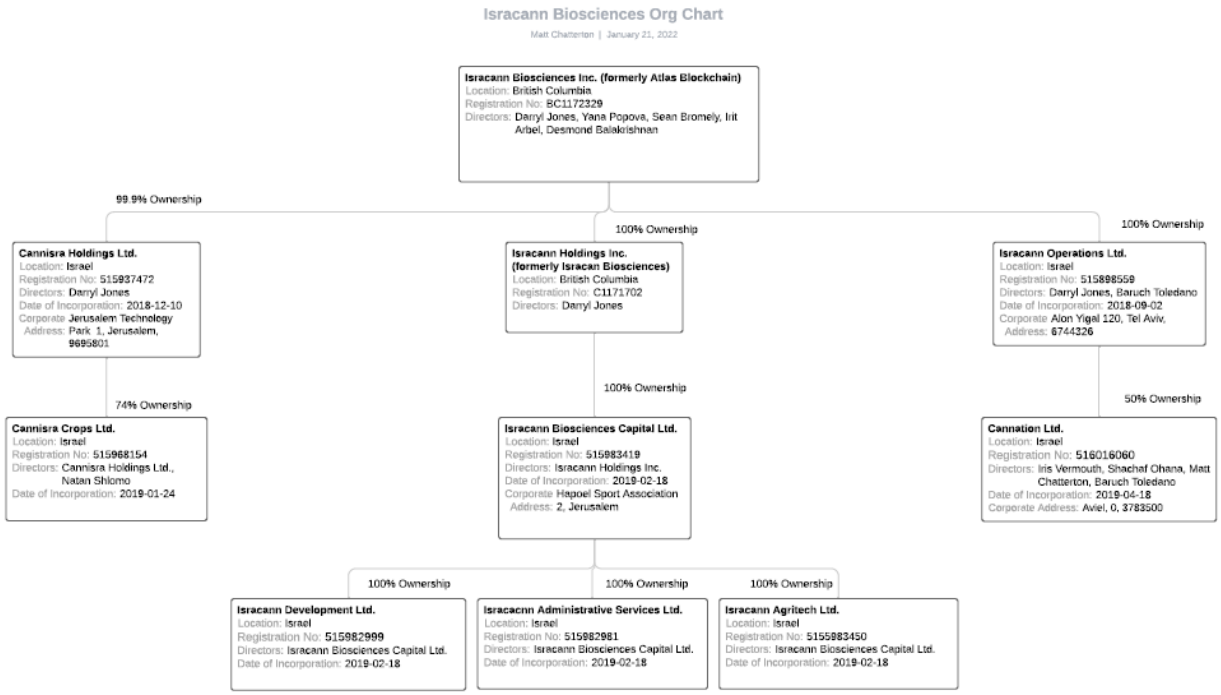
The Company paid 4,000,000 ILS to the Seller out of the total purchase price and the remaining amount of up to 3,000,000 ILS will be paid to the Seller upon the first actual planting of cannabis plants in the 5 Dunam Facility. As this event is out of the control of both parties as planting will take place only once approval is received from the IMCA, management has not recorded a provision as at November 30, 2021.

Upon closing, a first ranking fixed charge, in favor of the Company, was granted over (i) Cannation's registered and unissued/unallocated share capital, and (ii) the Remaining Shares, until all of the Remaining Shares are issued to the Company or to any third party directed by the Company.

At the closing, the Company provided Cannation with a loan in an aggregate amount of 1,250,000 ILS (approximately $486,213) (the "Isracann Loan"). Cannation shall only use the Isracann Loan in accordance with the agreed budget. The Isracann Loan together with additional shareholder loans shall bear the minimum interest rate permitted by law, and to the extent permitted by law, shall bear no interest. Additionally, such loans will be repaid prior to any distributions of dividends and/or other payments to the shareholders and/or interested parties of Cannation unless agreed upon in writing by the Company and the other Cannation shareholders plus VAT as applicable on the interest.

On March 5, 2021 and June 18, 2021, the Company further advanced an additional 350,000 ILS and 300,000 ILS to Cannation under the same terms as above.

The following chart illustrates the intercorporate relationships that exist as of the date of the MD&A:



Financial Highlights:

Comprehensive loss for the six months ended November 30, 2021 was $1,340,202 or $0.01 loss per share as compared to a comprehensive loss of $1,576,142 or $0.01 loss per share for the six months ended November 30, 2020. The Company recognized gains related to the sale of their subsidiaries which were in the business of cryptocurrency mining, providing co-location services and software manufacturing rental facilities totalling $249,686 during the period ended November 30, 2020, resulting in a decrease in net and comprehensive loss for that period.

As the Company has discontinued its data centre and bitcoin mining operations, the results from these segments have been classified as discontinued operations. During the six months ended November 30, 2021, the Company earned $nil in revenue from discontinued operations as compared to $19,675 for the six months ended November 30, 2020. The Company is currently in the development phase of its cannabis production operations and has not earned any revenues from its continuing operations.

The following is an analysis of the significant items and variances to our cash flow between the six months ended November 30, 2021 and 2020, which helps explain our overall performance.

	2021	2020	Variance Explanation
Cash flows used in operating activities	$ (1,017,698)	$ (2,171,640)	The favorable favourable variance of $1,153,942 is due to:
Net loss before non-cash items - continuing operations	(1,350,211)	(1,913,818)	Net loss before non-cash items from continuing operations for the six months ended November 30, 2021 consumed $563,607 less cash than in the comparative period in 2020. The Company incurred more advertising and promotional expenses in the prior period due to the Acquisition and changing the focus of the business.
Net loss before non-cash items - discontinued operations	-	(1,197)	Net loss before non-cash items from discontinued operations for the six months ended November 30, 2021 consumed $1,197 less cash than in the comparative period in 2020 as the businesses were sold.
Changes in working capital - continuing operations	332,513	(265,813)	Working capital changes in the period from continuing operations ended consumed $598,326 less cash than in the comparative period in 2020. This was mainly due to an increase in accounts payable.
Changes in working capital - discontinued operations	-	9,188	Working capital changes in the year from discontinued operations consumed $9,188 more cash than in the comparative period in 2020 as the businesses were wound up.
Cash flows from (used in) investing activities - continuing operations	(116,609)	242,500	The Company loaned Cannation an additional 300,000 ILS during the six months ended November 30, 2021. During the same period in 2020, $242,000 was received on the sale of subsidiaries.
Cash flows from (used in) financing activities - continuing operations	-	70,113	The Company did not participate in any financing activities during the six months ended November 30, 2021. In the comparative period in 2020, $70,113 was raised through the exercise of warrants and options.
Cash flows from (used in) financing activities - discontinued operations	-	(9,771)	The Company did not participate in any financing activities during the six months ended November 30, 2021 as the businesses were sold. The Company made lease payments of $9,771 during the period ended November 30, 2020.

Cash – closing balance	$ 826,680	$ 2,022,079	Beginning cash balance for fiscal 2022 was $1,958,406 and had a change in cash of $1,131,726 during the six months ended November 30, 2021. Much of the cash generated from financing activities were used to fund operating activities during the period.

In March 2020, the World Health Organization declared the outbreak of the coronavirus, also known as "COVID-19". The pandemic has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses, had an impact on the Company's operations.

Starting on March 18, 2020, Israel instituted a ban on foreign nationals from entering the country and on March 19, 2020 instituted a strict national lockdown of all non-essential business and places of gathering. These restrictions were gradually lessened through June 2020 but as the number of cases began to increase, a reinstitution of partial lockdown conditions were implemented starting in July 2020 and reinstitution of strict national lockdown was implemented on September 18, 2020. As of October 2021, Israel still considers Canada an "At Risk" country and requires isolation upon entry. Coupled with the Canadian government travel advisory and the additional isolation upon returning to Canada, this has prevented the Company's Canadian employees from site visits. Additionally, while construction of the Company's facilities was deemed an essential business, the lockdowns have caused delays in material supplies and extended timelines from building contractors. The lockdown has also extended timelines for government approvals.

1.3 Selected Annual Information

N/A

1.4 Results of Operations

For the three months ended November 30, 2021

Results from Continuing Operations

During the three months ended November 30, 2021, the Company's net loss from continuing operations was $873,941 as compared to $1,342,995 in 2020.

The following is an analysis of the significant items and variances between the period ended November 30, 2021 and 2020:

Expenses

		2021		2020	Variance Explanation
Consulting	$	288,456	$	318,558	Consulting fees decreased by 9% as a result of consultations for the operations of the Company's new cannabis ventures incurred in the prior year.
Foreign exchange loss		(15,484)		(12,396)	This is the result of fluctuations in the CAD dollar against the US dollar and ILS shekel.

Office facilities and administrative services	93,923	65,619	Office facilities and administrative services expense increased by 43% mainly due to an increase in management fees related to accounting services.
Office and sundry	81,547	65,342	Office and sundry expense increased by 25% mainly driven by an increase in investment advisory activities and related fees.
Professional fees	180,603	149,603	Professional fees increased 21% mainly due to a recovery that was recognized during the three months ended November 30, 2020 due to an over accrual of professional fees.
Promotion and advertising	129,360	446,656	The decrease in promotional costs by 71% year over year is mainly due to promotional and investor relations activities conducted to inform shareholders and potential investors of the Acquisition and of the Company's change of business to the production of medical cannabis in the prior year.
Stock-based compensation	43,234	18,184	During the three months ended November 30, 2021, the Company granted 2,525,000 options to directors, officers and consultants. These options were valued using the Black-Sholes option pricing model.
Transfer agent and shareholder information	20,700	41,712	Transfer agent and shareholder information expense decreased by 50% as a result of filing and listing fees incurred for the Company's OTC listing and the COB review due to the Acquisition in the prior year.
Travel and entertainment	$ 53,876	$ 6,593	Travel expenses increased due to travel restrictions being eased during Q2, which were put in place due to the COVID-19 pandemic.

Other Items

	2021	2020	Variance Explanation
Provision for GST receivable	$ -	$ (235,600)	During the period ended November 30, 2020, the Company recorded a provision against its sales tax receivable due to uncertainty surrounding the collectability as the input tax credits were subject to a re-assessment by the CRA.
Share of profit of Cannation joint venture	$ (10,918)	$ -	On June 1, 2021, the Company received the remainder of it's shares in Cannation and recognized 50% of the loss for the three months ended November 2021.

For the six months ended November 30, 2021

Results from Continuing Operations

During the six months ended November 30, 2021, the Company's net loss from continuing operations was $1,342,783 as compared to $1,561,277 in 2020. The Company recognized gains related to the sale of their subsidiaries which were in the business of cryptocurrency mining, providing co-location services and software manufacturing rental facilities totalling $669,191 during the period ended November 30, 2020, resulting in a decrease in net and comprehensive loss for that period.

The following is an analysis of the significant items and variances between the six months ended November 30, 2021 and 2020:

Expenses

	2021	2020	Variance Explanation
Consulting	$ 508,029	$ 671,982	Consulting fees decreased by 24% as a result of consultations for the operations of the Company's new cannabis ventures in the prior period.
Foreign exchange loss	(58,399)	(1,114)	This is the result of fluctuations in the CAD dollar against the US dollar and ILS shekel.
Office facilities and administrative services	189,035	179,756	Office facilities and administrative services expense increased by 5% as a result of a $21,000 increase in management fees relating to accounting services and $11,000 in rent, this was offset by a $22,000 reduction in wages and salaries.
Office and sundry	136,064	124,595	Office and sundry expense increased by 9% mainly driven by an increase in insurance and an increase in investment advisory activities and related fees.
Professional fees	252,139	69,094	Professional fees increased 265% mainly due to a recovery that was recognized during the six months ended November 30, 2020 due to an over accrual of professional fees.
Promotion and advertising	162,693	781,559	The decrease in promotion costs by 79% year over year is mainly due to promotional and investor relations activities conducted to inform shareholders and potential investors of the Acquisition and of the Company's change of business to the production of medical cannabis in the prior year.
Stock-based compensation	44,894	54,486	During the period ended November 30, 2021, the Company granted 2,525,000 options to directors, officers and consultants. These options were valued using the Black-Sholes option pricing model.

Transfer agent and shareholder information		45,654		74,014	Transfer agent and shareholder information expense decreased by 38% as a result of filing and listing fees incurred for the Company's OTC listing and the COB review due to the Acquisition in the prior year.
Travel and entertainment	$	59,687	$	25,935	Travel expenses increased by 130% due to travel restrictions being eased during the six months ended November 30, 2021 which were put in place due to the COVID-19 pandemic.

Other Items

		2021		2020	Variance Explanation
Gain on sale of subsidiary	$	-	$	249,686	During the six months ended November 30, 2020, the Company sold its subsidiaries which were in the business of cryptocurrency mining, providing co-location services and software manufacturing rental facilities and recognized a gain on the sale.
Foreign exchange gain realized on sale of subsidiary	$	-	$	419,505	As a result of selling its US based subsidiary, the Company recognized a foreign exchange gain of $419,505 due to recognition of currency translation amounts previously recognized in accumulated other comprehensive income.
Provision for GST receivable	$	-	$	(235,600)	During the period ended November 30, 2020, the Company recorded a provision against its sales tax receivable due to uncertainty surrounding the collectability as the input tax credits are subject to a re-assessment by the CRA.
Share of profit of Cannation joint venture	$	(15,573)	$	-	On June 1, 2021, the Company received the remainder of it's shares in Cannation and recognized 50% of the loss for the six months ended November 2021.

Results from Discontinued Operations

During the six months ended November 30, 2021, the Company's net loss from discontinued operations was $nil as compared to $32,151 in 2020. Loss decreased year over year as the Company has minimal expenses due to selling these segments during the quarter ended August 31, 2020.

1.5 Summary of Quarterly Results

The following table presents a summary of unaudited quarterly financial information for the last eight consecutive quarters:

	Q2 November 30, 2021 $	Q1 August 31, 2021 $	Q4 May 31, 2021 $	Q3 Feb. 29, 2021 $	Q2 Nov. 30, 2020 $	Q1 August 31, 2020 $	Q4 May 31, 2020 $	Q3 Feb. 29, 2020 $
Revenue – continuing operations	-	-	-	-	-	-	-	-
Revenue – discontinued operations	-	-	-	-	-	19,675	72,314	81,421
Net loss attributable to shareholders of the Company - continuing operations	(873,941)	(468,842)	(21,247,316)	(1,662,759)	(1,342,995)	(218,282)	(15,638,141)	(4,877,837)
Net loss attributable to shareholders of the Company - discontinued operations	-	-	-	-	-	(32,151)	(74,708)	(47,403)
Net loss attributable to shareholders of the Company	(873,941)	(468,842)	(21,247,316)	(1,662,759)	(1,342,995)	(218,282)	(15,709,558)	(4,925,240)
Basic loss per share – continuing operations (1)	(0.01)	(0.00)	(0.15)	(0.01)	(0.01)	(0.010)	(0.17)	(0.04)
Basic loss per share – discontinued operations (1)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

(1) Loss per share on a diluted basis is not disclosed as it is anti-dilutive due to losses incurred.

During the second quarter of 2022, the Company increased expenses in professional fees, promotion and advertising, stock-based compensation, and consulting fees compared with the first quarter of 2022. Mainly because the Company granted 2,525,000 options and recognized stock-based compensation, incurred marketing expenses for continued digital content, and incurred audit fees.

During the first quarter of 2022, the Company's results improved over the fourth quarter of 2021, mainly because the Company recognized a $20,621,249 impairment charge during the fourth quarter of 2021, which was not present in the first quarter of 2022.

During the fourth quarter of 2021, the Company decided to fully impair the licenses and intangible assets acquired through the Acquisition in March 2019 as the Company decided to shift its focus to its investment in Cannation Ltd.

During the first quarter of 2021, the Company closed the sales of its subsidiaries, AKE and MKH.

The first quarter of 2021 saw results from continuing operations improve as the Company’s spending decreased due to a combination of the completion of the Acquisition, leading to a significant decrease in professional and regulatory expenses and the advent of COVID-19 which decreased travelling.

During the fourth quarter of 2020, the Company entered into agreements to sell its subsidiaries, AKE and MKH, which were in the business of cryptocurrency mining and co-location data center rental. The revenue and net loss from discontinued operations has been declining since the fourth quarter of 2019 as the Company suspended its bitcoin mining operations and wound down its activities in these business segments.

The Company currently has no revenue from continuing operations as it is in the pre-development stage of cannabis production.

1.6 Liquidity and Capital Resources

At November 30, 2021, the Company had working capital of $385,595 (May 31, 2021 – $1,785,802).

During the six months ended November 30, 2021, the Company experienced cash outflows of $1,017,698 (2020 – $2,171,640) from operating activities.

During the six months ended November 30, 2021, the Company did not participate in any financing activities. In the prior comparative period, financing activities provided cash of $302,842. The Company raised the funds through the exercise of warrants and options and also received proceeds of $242,500 on the sale of its subsidiaries.

Overall, cash decreased by $1,131,726 for the six months ended November 30, 2021, as compared to a decrease of $1,868,904 in the comparative period.

As at November 30, 2021, the Company has the following financial obligations:

	< 1 year	1 – 5 years	> 5 years	Total
Accounts payable	$ 455,159	$ -	$ -	$ 455,159
Accrued liabilities	314,708	-	-	314,708
	$ 769,867	$ -	$ -	$ 769,867

The Company is not subject to any externally imposed capital requirements.

We manage the capital structure and adjust it considering changes in economic conditions and the risk characteristics of the underlying assets. As a young growth company, issuance of equity has been the primary source of capital to date. Debt and/or equity financing may be pursued in the future as deemed appropriate to balance debt and equity. To maintain or adjust the capital structure, our Company may issue new shares, take on debt or sell assets to reduce debt.

While our management plans to generate revenues and to continue financing our Company through the issuances of additional equity securities or debt instruments, there can be no assurance that enough revenue or financing will occur to meet our cash needs for the next 12 months. The ability to achieve our projected future operating results is based on several assumptions which involve significant judgments and estimates, which cannot be assured. If we are unable to achieve our projected operating results, our liquidity could be adversely impacted, and we may need to seek additional sources of financing. Our operating results could adversely affect our ability to raise additional capital to fund our operations and there is no assurance that sufficient debt or equity financing will be available, on acceptable terms, or in a timely basis.

1.7 Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed.

1.8 Transactions between Related Parties

All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All amounts either due

from or due to related parties other than specifically disclosed are non-interest bearing, unsecured and have no fixed terms of repayments.

a) Related party transactions with directors, subsequent and former directors and companies and entities over which they have significant influence over:

	THREE MONTHS ENDED NOVEMBER 30,	
	2021	2020
Consulting fees		
A company affiliated with Sean Bromley, a director of the Company	**$ 15,000**	$ 15,000
A company affiliated with Arit Arbell, a director of the Company	**2,587**	4,185
A company affiliated with Baruch Toledano, a director of the Company's subsidiary	**61,625**	28,286
A company affiliated with Phil Floucault, a director of the Company	**19,500**	-
Professional fees		
A company affiliated with Desmond Balakrishnan, a director of the Company	**7,791**	8,166
Share-based compensation		
Sean Bromley, a director of the Company	**7,773**	-
Desmond Balakrishnan, a director of the Company	**3,886**	-
Irit Arbel, a director of the Company	**3,886**	-
Baruch Toledano, a director of the Company	**2,591**	8,212
Phil Floucault, a director of the Company	**$ 3,407**	$ -

	SIX MONTHS ENDED NOVEMBER 30,	
	2021	2020
Consulting fees		
A company affiliated with Sean Bromley, a director of the Company	**$ 30,000**	$ 30,000
A company affiliated with Arit Arbell, a director of the Company	**6,462**	7,027
A company affiliated with Baruch Toledano, a director of the Company's subsidiary	**111,520**	72,393
A company affiliated with Phil Floucault, a director of the Company	**19,500**	-
Professional fees		
A company affiliated with Desmond Balakrishnan, a director of the Company	**20,126**	35,448
Share-based compensation		
Sean Bromley, a director of the Company	**7,773**	-
Desmond Balakrishnan, a director of the Company	**3,886**	-
Irit Arbel, a director of the Company	**3,886**	-
Baruch Toledano, a director of the Company	**2,591**	22,545
Phil Floucault, a director of the Company	**$ 3,407**	$ -

Key management compensation

	THREE MONTHS ENDED NOVEMBER 30,	
	2021	2020
Consulting fees		
A company affiliated with Darryl Jones, the former CEO of the Company	**$ 67,500**	$ 60,000
A Company affiliated with Yana Popova, the CFO of the Company	**37,500**	27,500
Matt Chatterton, the COO of the Company	**11,700**	
Office facilities and administrative services		
Fred Stearman, the former COO of the Company	**-**	-
Matt Chatterton, the COO of the Company	**50,000**	-
Property operating expenses		
Fred Stearman, the former COO of the Company	**-**	-
Share-based compensation		
Yana Popova, the CFO of the Company	**7,773**	-
Matt Chatterton, the COO of the Company	**$ 2,591**	$ -

	SIX MONTHS ENDED NOVEMBER 30,	
	2021	2020
Consulting fees		
A company affiliated with Darryl Jones, the former CEO of the Company	**$ 112,500**	$ 90,000
A Company affiliated with Yana Popova, the CFO of the Company	**75,000**	65,000
Matt Chatterton, the COO of the Company	**11,700**	
Office facilities and administrative services		
Fred Stearman, the former COO of the Company	**-**	3,000
Matt Chatterton, the COO of the Company	**100,000**	-
Property operating expenses		
Fred Stearman, the former COO of the Company	**-**	3,000
Share-based compensation		
Yana Popova, the CFO of the Company	**7,773**	**-**
Matt Chatterton, the COO of the Company	**$ 2,591**	$ **-**

b) Prepaid expenses - As of November 30, 2021, a company affiliated with Yana Popova, the CFO of the Company, was advanced $Nil (May 31, 2021 - $2,660) for rent and management fees.

c) Accounts payable - As of November 30, 2021, Darryl Jones, the former CEO of the Company was owed $38,250 (May 31, 2021 - $3,152), Yana Popova, the CFO of the Company, was owed $19,032 (May 31, 2021 - $1,210), Sean Bromley, a director of the Company, was owed $5,250 (May 31, 2021 - $Nil), Matthew Chatterton, the COO of the Company was owed $12,358 (May 31, 2021 - $Nil). $20,738 (May 31, 2021 - $9,281) was owed to a legal firm where Desmond Balakrishnan, a director of the Company, is a partner, $2,555 (May 31, 2021 - $1,207) was owed to a company affiliated with Irit Arbel, a director of the Company and Phil Floucault, the CEO of the Company was owed $13,650 (May 31, 2021 - $Nil).

1.9 Second Quarter

Refer to section 1.4 Results of Operations for a detailed discussion of the Second Quarter.

1.11 Critical Accounting Estimates

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The following are the estimates and assumptions that have been made in applying the Company's accounting policies that have the most significant effect on the amounts in the consolidated financial statements:

a) Impairment of non-financial assets

The Company reviews the carrying amounts of its non-financial assets, including property and equipment and intangible assets, when events or changes in circumstances indicate the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. These calculations are based on available data, other observable inputs and projections of cash flows, all of which are subject to estimates and assumptions. Recoverable amounts are also sensitive to assumptions about the future usefulness of in-process development and the related marketing rights.

b) Impairment of financial assets:

The Company reviews at the end of each reporting period the loss allowance for financial assets measured at amortized cost. The Company applies a simplified approach and measures the loss allowance in an amount equal to the lifetime expected credit losses ("ECLs"). 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. The Company's provision is based on historical default rates calibrated with forward-looking information. The assessment of the correlation between historical observed default rates and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of economic conditions. The Company's historical credit loss may also not be representative of actual default in the future.

c) Income taxes

The Company recognizes the tax benefit from an uncertain tax position only if it is probable that the tax position will be sustained based on its technical merits. The Company measures and record the tax benefits from such a position based on the largest benefit that has a greater than 50% likelihood of being realized upon

ultimate settlement. The Company's estimated liabilities related to these matters are adjusted in the period in which the uncertain tax position is effectively settled, the statute of limitations for examination expires or when additional information becomes available. The amount and timing of future taxable income for unrecognized tax benefits requires the use of assumptions and significant judgment to estimate the exposures associated with our various filing positions. The Company has not recognized the value of any deferred tax assets in its statements of financial position. Although the Company believes that the judgments and estimates made are reasonable, actual results could differ and resulting adjustments could materially affect our effective income tax rate and income tax provision.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

d) Fair value measurement of broker warrants and stock options

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for broker warrants and stock options requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the broker warrants and stock options, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for broker warrants and stock options are disclosed in Note 11 to the consolidated financial statements.

e) Fair value measurement of intangible assets

The Company acquired cannabis cultivation license rights, design permits and other related intangible assets through the Acquisition. Carrying amounts for license rights, technology and intangible assets do not necessarily reflect present or future value and the ultimate amounts recoverable will be dependent upon the successful commercialization of products based on these underlying intangible assets.

a) Going concern

Management's assessment that the Company's will be able to execute its strategy and fund future working capital requirements to continue as a going concern requires significant judgment.

b) Determination of cash generating units ("CGU")

For the purpose of impairment testing, assets that cannot be tested individually are grouped at the lowest levels for which there are largely independent cash inflows. The Company determines which groups of assets (each a "Cash-Generating Unit or a "CGU") can generate cash flows that are largely independent of other operations within the Company. Management exercises judgment in assessing where active markets exist including an analysis of the degree of autonomy each operation has in negotiating prices with customers. The Company has identified the Israeli operations as a separate CGU, based on the nature of the business and the assessment that the CGUs generate cash flows that are largely independent of the cash flows from other assets deployed in the Company.

c) Acquisition of Isracann Holdings Inc. and Cannisra Holdings Ltd. (together, the "Entities")

The Company has accounted for the for the Acquisition as an acquisition of assets. Classification of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business, which can be a complex judgment. Whether an acquisition is classified as a business combination or asset acquisition can have a significant impact on the entries made on and after acquisition. Management's assessment was influenced by a number of factors including the following:

- The Entities have no revenue generating operations or outputs and have not developed existing processes or inputs that could be applied in producing outputs; and
- The value of the Entities is in the intangible assets that they hold, which include payments made for licenses and permits that are in the early stages which are planned to be used to construct a cannabis cultivation facility and operation in Israel.

1.12 Changes in Accounting Policies including Initial Adoption

The Company has not made any changes to its accounting policies during the period ended November 30, 2021.

1.13 Financial Instruments and Risk Management

The Company's financial instruments are comprised of cash, restricted cash, accounts receivable, loan receivable, and accounts payable. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs that are not based on observable market data (unobservable inputs).

As of November 30, 2021, the fair value of cash and restricted cash held by the Company was based on Level 1 of the fair value. The fair values of accounts receivable and accounts payable approximate their carrying values due to their short-term maturity. The carrying value of lease obligations where interest is charged at a fixed rate is not significantly different from the fair value.

(a) Financial risk management objectives and policies

The risks associated with the Company's financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

i) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and accounts receivable. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset backed commercial paper. Credit risk is not concentrated with any particular customer. The Company's accounts receivable consists primarily of GST receivable. In an effort to mitigate credit risk, management monitors its accounts receivable and it has

been determined that no bad debts need to be recorded as all amounts are considered to be collectible. Trade receivables are generally insignificant.

ii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company seeks to ensure there is sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. As at November 30, 2021, the Company had an unrestricted cash balance of $826,680 (May 31, 2021 - $1,958,406) to settle current liabilities of $769,867 (May 31, 2021 - $465,250).

Other MD&A Requirements

Disclosure of Outstanding Share Capital

Authorized: Unlimited common shares without par value

As at the date of this report, the Company had 146,080,110 common shares outstanding.

Share Purchase Warrants

The Company may issue share purchase warrants to acquire its common shares either in combination with share offerings, or on a stand-alone basis to its consultants and advisors. The terms of warrants issued are determined by the Company's Board of Directors.

As at the date of this report, the Company has 6,123,563 warrants outstanding as follows:

NUMBER OF WARRANTS	EXERCISE PRICE	EXPIRY DATE
6,123,563	$0.50	April 15, 2023

Stock Options

The Company adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with CSE requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

In connection with the foregoing, the number of common shares reserved for issuance to any technical consultant will not exceed two percent of the issued and outstanding common shares in any twelve-month period. The number of common shares reserved for issuance to individuals providing investor relation services will not exceed two percent of the issued and outstanding common shares in any twelve-month period. Further, these options must vest over twelve months with a maximum of one quarter of the options vesting in any three-month period. Options may be exercised no later than 30 days following cessation of the optionee's position with the Company, provided that if cessation of office, directorship or technical consulting arrangement by reason of death, the option may be exercised within a maximum period of one year after such death. Subject to the expiry date of such option.

During the period ended November 30, 2021, stock-based compensation in the amount of $44,894 (2020 - $54,486) was recognized on the vesting of stock options to directors, officers and consultants.

As at the date of this report, the Company has 9,566,667 options outstanding as follows:

NUMBER OF OPTIONS OUTSTANDING	EXERCISE EXERCISABLE	PRICE	EXPIRY DATE
400,000	400,000	$0.51	February 18, 2022
100,000	100,000	$0.39	February 16, 2023
2,500,000	2,500,000	$0.19	May 8, 2023
741,667	741,667	$1.20	June 21, 2023
2,525,000	1,525,000	$0.20	October 15, 2023
3,300,000	3,240,000	$0.32	December 7, 2023
9,566,667	**8,506,667**		

Internal Controls Over Financial Reporting

National Instrument 52-109 requires the CEO and CFO to certify that they are responsible for establishing and maintaining internal control over financial reporting ("ICFR") for the Company and that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. The CEO and CFO are also responsible for disclosing any changes to the Company's internal controls during the most recent period that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting

Based on a review of its internal control procedures at the end of the period covered by this MD&A, management believes its internal controls and procedures are appropriately designed and were operating effectively as at May 31, 2021.

Disclosure Controls

Management is also responsible for the design and operation of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer and Chief Financial Officer have each evaluated the design and effectiveness of the Company's disclosure controls and procedures as of the date of this report and have concluded that these controls and procedures are effective.

Subsequent Events

Directors and Officers

The Directors and Officers of the Company are:

Phil Floucault, CEO and Director
Yana Popova, CFO and Director
Matt Chatterton, COO
Irit Arbel, Director
Sean Bromley, Director
Desmond Balakrishnan, Director
Baruch Toledano, Director of Isracann Operations Ltd.

Conflicts of Interest

Certain officers and directors of the Company are officers and/or directors of, or are associated with other venture companies. Such associations may give rise to conflicts of interest. The directors are required by law, however, to act honestly and in good faith with a view to the best interests of the Company and its shareholders and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with the Company and to abstain from voting as a director for the approval of any such transaction.

Risks and Uncertainties

The business of Isracann is subject to certain risks and uncertainties inherent in the cannabis industry, and to issuers conducting operations outside of North America. Prior to making any investment decision regarding the Company, investors should carefully consider, among other things, the risk factors set out below.

While this MD&A has described the risks and uncertainties that management of Isracann believe to be material to the Company's business, it is possible that other risks and uncertainties affecting the Company's business will arise or become material in the future.

If the Company is unable to address these and other potential risks and uncertainties following the completion of the Transaction, its business, financial condition or results of operations could be materially and adversely affected. In this event, the value of the Company Shares could decline and an investor could lose all or part of their investment.

The following is a description of the principal risk factors that will affect the Company as of the date hereof:

(A) Risks Related to the Issuer's Business

New Business Area and Geographic Market, and the Issuer's Ability to Implement the Business Strategy in this Area or Market

The Issuer's growth strategy is dependent upon expanding its product and service offerings into a new business area or a new geographic market. There can be no assurance that the new business area and geographic market will generate the anticipated clients and revenue. In addition, any expansion into a new business area or geographic market could expose the Issuer to new risks, including compliance with applicable laws and regulations, changes in the regulatory or legal environment; different customer preferences or habits; adverse exchange rate fluctuations; adverse tax consequences; differing technology standards or end-user requirements and capabilities; difficulties staffing and managing foreign operations; infringement of third-party intellectual property rights; adapting its products for new markets; difficulties collecting accounts receivable; or difficulties associated with repatriating cash generated or held abroad in a tax-efficient manner.

When Israeli government begins granting medical cannabis export permits, the Issuer intends to apply for such permit to export medical cannabis to Germany. However, until such time export permits are granted, the Issuer expects that all of its future revenue will be derived from its business operations in Israel. Execution of this business strategy is subject to a variety of risks, including operating and technical problems, regulatory uncertainties and possible delays.

The growth and expansion of the Issuer's business is heavily dependent upon the successful implementation of the Issuer's business strategy. There can be no assurance that the Issuer will be successful in the implementation of its business strategy. These factors could cause the Issuer's expansion into a new business area or into Israel to be unsuccessful or less profitable or could cause the Issuer's operating costs to increase

unexpectedly or its sales to decrease, any of which could have a material adverse effect on the Issuer's prospects, business, financial condition or results of operations. In addition, there can be no assurance that laws or administrative practices relating to taxation, foreign exchange or other matters in Israel within which the Issuer intends to operate will not change. Any such change could have a material adverse effect on the Issuer's business, financial condition and results of operations.

New Industry and Market

The cannabis industry and market are relatively new in Israel, and this industry and market may not continue to exist or grow as anticipated or the Issuer may ultimately be unable to succeed in this new industry and market. The licensed producers are operating in a relatively new cannabis industry and market. The licensed producers are subject to general business risks, as well as risks associated with a business involving an agricultural product and a regulated consumer product. The Issuer holds a controlling interest in an applicant to be a licensed cultivation and breeding facility in Israel. Within Israel, the Issuer intends to sell and market its cannabis products. To this extent the Issuer needs to build brand awareness in this industry, and in the markets in which it operates through significant investments in its strategy, its production capacity, quality assurance, and compliance with regulations. These activities may not promote the Issuer's brand and products as effectively as intended, or at all. Competitive conditions, consumer tastes, patient requirements and spending patterns in this new industry and market are relatively unknown and may have unique circumstances that differ from existing industries and markets. There are no assurances that this industry and market will continue to exist or grow as currently estimated or anticipated, or function and evolve in a manner consistent with management's expectations and assumptions. Any event or circumstance that affects the medical cannabis industry and market could have a material adverse effect on the Issuer's business, financial condition and results of operations.

Reliance on Licenses and Authorizations

The Issuer's ability to grow, store and sell cannabis in Israel is dependent on the Issuer's ability to sustain and/or obtain the necessary licenses and authorizations by certain authorities in Israel. The impact of the compliance regime, any delays in obtaining, or failure to obtain or keep the regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of the Issuer.

The licenses and authorizations are subject to ongoing compliance and reporting requirements and the ability of the Issuer to obtain, sustain or renew any such licenses and authorizations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in Israel and potentially in other foreign jurisdictions. Failure to comply with the requirements of the licenses or authorizations or any failure to maintain the licenses or authorizations would have a material adverse impact on the business, financial condition and operating results of the Issuer.

Although the Issuer believes that it will meet the requirements to obtain, sustain or renew the necessary licenses and authorizations, there can be no guarantee that the applicable authorities will issue these licenses or authorizations. Should the authorities fail to issue the necessary licenses or authorizations, the Issuer may be curtailed or prohibited from the production and/or distribution of cannabis or from proceeding with the development of its operations as currently proposed and the business, financial condition and results of the operation of the Issuer may be materially adversely affected.

There is no assurance that the Isracann facilities will operate as intended or that the projected revenues will be achieved.

The Issuer's initial state of its business operation is to obtain its permit and licenses to construct its initial Isracann Facility. However, the Issuer has yet to complete construction of any Isracann facilities. Accordingly, this component of the Issuer's business plan is subject to considerable risks, including:

- there is no assurance that the Isracann facilities will achieve the intended cannabis production rates;
- the costs of constructing and operating the Isracann facilities may be greater than anticipated and the Issuer may not be able to recover these greater costs through increases in cannabis production;
- the potential distribution or manufacturer partners who have indicated a willingness to purchase our cannabis products may withdraw if our first crop of cannabis plant is not harvested by the anticipated timeline; and
- the revenues from the sales of the cannabis products may be less than anticipated.

Change of Cannabis Laws, Regulations, and Guidelines

Cannabis laws and regulations are dynamic and subject to evolving interpretations which could require the Issuer to incur substantial costs associated with compliance or alter certain aspects of its business plan. It is also possible that regulations may be enacted in the future that will be directly applicable to certain aspects of the Issuer's business. The Issuer cannot predict the nature of any future laws, regulations, interpretations or applications, nor can it determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on the Issuer's business. Management expects that the legislative and regulatory environment in the cannabis industry in Israel and internationally will continue to be dynamic and will require innovative solutions to try to comply with this changing legal landscape in this nascent industry for the foreseeable future. Compliance with any such legislation may have a material adverse effect on the Issuer's business, financial condition and results of operations.

Public opinion can also exert a significant influence over the regulation of the cannabis industry. A negative shift in the public's perception of the cannabis industry could affect future legislation or regulation in different jurisdictions, including in Israel and other European countries that the Issuer plans to distribute its cannabis products.

Uncertain Demand for Cannabis and Derivative Products

The legal cannabis industry in Israel is at an early stage of its development. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of medicinal cannabis are mixed and evolving and can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medicinal cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medicinal cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity, could have a material adverse effect on the demand for medicinal cannabis and on the business, results of operations, financial condition and cash flows of the Issuer. Further, adverse publicity reports or other media attention regarding cannabis in general, or associating the consumption of medicinal cannabis with illness or other negative effects or events, could have such a material adverse effect. Public opinion and support for medicinal cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. The Issuer's ability to gain and increase market acceptance of its business may require substantial expenditures on investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful and their failure to materialize into significant demand may have an adverse effect on the Issuer's financial condition.

Product Liability

As a distributor of products designed to be ingested by humans, the Issuer faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused bodily harm or injury. In addition, the sale of the Issuer's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Adverse reactions resulting from human consumption of the Issuer's products alone or in combination with other medications or substances could occur. The Issuer may be subject to various product liability claims, including, among others, that the Issuer's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning health risks, possible side effects or interactions with other substances. A product liability claim or regulatory action against the Issuer could result in increased costs, could adversely affect the Issuer's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Issuer. There can be no assurances that the Issuer will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Issuer's potential products.

Product Recalls

Distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the Issuer's products are recalled due to an alleged product contamination or for any other reason, the Issuer could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Issuer may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin, or at all. In addition, a product recall may require significant management attention. Although the Issuer has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if the Issuer's products are subject to recall, the reputation of the Issuer could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Issuer's products and could have a material adverse effect on the results of operations and financial condition of the Issuer. Additionally, product recalls may lead to increased scrutiny of the Issuer's operations by regulatory agencies, requiring further management attention, potential loss of applicable licenses, and potential legal fees and other expenses.

Regulatory Compliance Risks

Achievement of the Issuer's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Issuer may not be able to obtain or maintain the necessary licenses, permits, quotas, authorizations or accreditations to operate its business, or may only be able to do so at great cost. The Issuer cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by local governmental authorities.

The officers and directors of the Issuer must rely, to a great extent, on the Issuer's Israeli legal counsel, local consultants retained by the Issuer and its management team in Israel, including its COO and Chief Agronomist, in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect the Issuer's business operations, and to assist the Issuer with its governmental relations.

The Issuer will also rely on the advice of local experts and professionals in connection with any current and new regulations that develop in respect of banking, financing and tax matters in Israel. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices in Israel are beyond the control of the Issuer and may adversely affect its business.

The Issuer will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Issuer may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Issuer's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Issuer.

Retention and Acquisition of Skilled Personnel

The loss of any member of the Issuer's management team, could have a material adverse effect on its business and results of operations. In addition, the inability to hire or the increased costs of hiring new personnel, including members of executive management, could have a material adverse effect on the Issuer's business and operating results. The expansion of marketing and sales of its products will require the Issuer to find, hire and retain additional capable employees who can understand, explain, market and sell its products. There is intense competition for capable personnel in all of these areas and the Issuer may not be successful in attracting, training, integrating, motivating, or retaining new personnel, vendors, or subcontractors for these required functions. New employees often require significant training and in many cases, take a significant amount of time before they achieve full productivity. As a result, the Issuer may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses issued in connection to equity awards, and may lose new employees to its competitors or other companies before it realizes the benefit of its investment in recruiting and training them. In addition, as the Issuer moves into new jurisdictions, it will need to attract and recruit skilled employees in those new areas.

Risks Inherent in an Agricultural Business

The Issuer's business involves the growing of cannabis, which is an agricultural product. The occurrence of severe adverse weather conditions, especially droughts or floods is unpredictable, may have a potentially devastating impact on agricultural production, and may otherwise adversely affect the supply of cannabis. Adverse weather conditions may be exacerbated by the effects of climate change and may result in the introduction and increased frequency of pests and diseases. The effects of severe adverse weather conditions may reduce the Issuer's yields or require the Issuer to increase its level of investment to maintain yields. Additionally, higher than average temperatures and rainfall can contribute to an increased presence of insects and pests, which could negatively affect cannabis crops. Future droughts could reduce the yield and quality of the Issuer's cannabis production, which could materially and adversely affect the Issuer's business, financial condition and results of operations.

The occurrence and effects of plant disease, insects and pests can be unpredictable and devastating to agricultural operations, potentially rendering all or a substantial portion of the affected harvests unsuitable for sale. Even when only a portion of the production is damaged, the Issuer's results of operations could be adversely affected because all or a substantial portion of the production costs may have been incurred. Although some plant diseases are treatable, the cost of treatment can be high and such events could adversely affect the Issuer's operating results and financial condition. Furthermore, if the Issuer fails to control a given plant disease and the production is threatened, the Issuer may be unable to adequately supply its customers,

which could adversely affect its business, financial condition and results of operations. There can be no assurance that natural elements will not have a material adverse effect on production.

Supply of Cannabis Seeds

If for any reason the supply of cannabis seeds is ceased or delayed, the Issuer would have to seek alternate suppliers and obtain all necessary authorization for the new seeds. If replacement seeds cannot be obtained at comparable prices, or at all, or if the necessary authorizations are not obtained, the Issuer's business, financial condition and results of operations would be materially and adversely affected.

Limited Operating History

The Issuer was previously in the business of cloud computing and Bitcoin mining. Upon completion of the Transaction, the Issuer continued the business of Isracann Holding. As a result, the Issuer has a limited operating history in the cannabis commercial cultivation space upon which its business and future prospects may be evaluated. The Issuer will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. In order for the Issuer to meet its future operating requirements, the Issuer will need to be successful in its growing, marketing and sales efforts of its cannabis products. Additionally, where the Issuer experiences increased sales, the Issuer's current operational infrastructure may require changes to scale the Issuer's business efficiently and effectively to keep pace with demand, and achieve long-term profitability. If the Issuer's products are not accepted by new partners, the Issuer's operating results may be materially and adversely affected.

Managing Growth

In order to manage growth and changes in strategy effectively, the Issuer must: (a) maintain adequate systems to meet customer demand; (b) expand sales and marketing, distribution capabilities, and administrative functions; (c) expand the skills and capabilities of its current management team; and (d) attract and retain qualified employees. While it intends to focus on managing its costs and expenses over the long term, the Issuer expects to invest its earnings and capital to support its growth, but may incur additional unexpected costs. If the Issuer incurs unexpected costs it may not be able to expand quickly enough to capitalize on potential market opportunities.

Legal and Regulatory Proceedings

From time to time, the Issuer may be a party to legal and regulatory proceedings, including matters involving governmental agencies, entities with whom it does business and other proceedings arising in the ordinary course of business. The Issuer will evaluate its exposure to these legal and regulatory proceedings and establish reserves for the estimated liabilities in accordance with generally accepted accounting principles. Assessing and predicting the outcome of these matters involves substantial uncertainties. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in established reserves, could have an adverse impact on the Issuer's financial results.

The Issuer's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by third parties, other companies and/or various governmental authorities against the Issuer. Litigation, complaints, and enforcement actions involving the Issuer could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Issuer's future cash flows, earnings, results of operations and financial condition.

Insurance Coverage

The Issuer's production is, in general, subject to different risks and hazards, including adverse weather conditions, fires, plant diseases and pest infestations, other natural phenomena, industrial accidents, labour disputes, changes in the legal and regulatory framework applicable to the Issuer and environmental contingencies.

The Issuer's insurance may cover only part of the losses it may incur and does not cover losses on crops due to drought or floods. Furthermore, certain types of risks may not be covered by the policies that the Issuer may holds. Additionally, any claims to be paid by an insurer due to the occurrence of a casualty covered by the Issuer's policies may not be sufficient to compensate the Issuer for all of the damages suffered. The Issuer may not be able to maintain or obtain insurance of the type and amount desired at a reasonable cost. If the Issuer were to incur significant liability for which it were not fully insured, it could have a materially adverse effect on the Issuer's business, financial condition and results of operations.

Inter-company Transfers of Funds

As the Issuer's operations will be carried on through its subsidiaries, it will be dependent on cash flows from its subsidiaries. The Issuer is not currently subject to or aware of any limitations on the repatriation of funds from the subsidiaries in Israel. The Issuer will develop a cash management system to provide for the flow of funds between the Issuer and the subsidiaries. It is expected that such a system will provide for:

- the structuring and documentation of fund transfers as loan arrangements, capital investments and/or management services arrangements between relevant entities;

- internal approval process by the controller and the general manager at the subsidiary level, and for certain transactions exceeding the subsidiary's authority limits, by the Issuer's CFO; and

- compliance with internal procedures and applicable local regulations.

If any issues arising with the repatriation of funds it may have an adverse effect on the Issuer.

Changes in Corporate Structure

Israeli cannabis licenses are granted on a non-transferable, non-exchangeable and non- assignable basis. Any breach of this restriction may give rise to unilateral termination of the license by the governmental authority.

Israeli authorities require notice and disclosure of any change at or above 5% of the equity of a licensed company. Prior approval is required for such changes. Notwithstanding the above, Israeli laws do not provide for specific regulations or restrictions regarding the effects of a change in control, modification of the corporate structure, issuance of shares, or any changes in holders or final beneficiaries of cannabis licenses.

Emerging Market Risks

Emerging market investment generally poses a greater degree of risk than investment in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments. All of the Issuer's operations are in Israel. While Israel's credit rating is current "-AA", it has a history of geopolitical instability and crises including those related to terrorism. Although there is no current major political instability in Israel, this could be subject to change in the future and could adversely affect the Issuer's business, financial condition and results of operations.

Global Economy

Financial and securities markets in Israel are influenced by the economic and market conditions in other countries, including other emerging market countries in the Middle East. Although economic conditions in these countries may differ significantly from economic conditions in Israel, international investors' reactions to developments in these other countries, may substantially affect capital inflows into the Israeli economy, and the market value of securities of issuers with operations in Israel.

Economic downturn or volatility could have a material adverse effect on the Issuer's business, financial condition and results of operations. In addition, weakening of economic conditions could lead to reductions in demand for the Issuer's products. For example, its revenues can be adversely affected by high unemployment and other economic factors. Further, weakened economic conditions or a recession could reduce the amount of income customers are able to spend on the Issuer's products. In addition, as a result of volatile or uncertain economic conditions, the Issuer may experience the negative effects of increased financial pressures on its clients. For instance, the Issuer's business, financial condition and results of operations could be negatively impacted by increased competitive pricing pressure, which could result in the Issuer incurring increased bad debt expense. If the Issuer is not able to timely and appropriately adapt to changes resulting from a weak economic environment, its business, results of operations and financial condition may be materially and adversely affected.

Ongoing Impact of COVID-19

Since December 31, 2019, governments worldwide have been enacting emergency measures to combat the spread of COVID-19. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The development and operation of the Company's business plan is dependent on labour inputs and governmental approvals, which could be adversely disrupted by the ongoing impact of COVID-19. While it is difficult to predict the impact of the coronavirus outbreak on the Company's business, measures taken by the Canadian and Israeli governments and voluntary measures undertaken by the Company with a view to the safety of the Company's employees, may adversely impact the Company's business, for instance by impeding the labour required to construct the greenhouse facilities and to cultivate cannabis, if and when the Company commences cultivation. While the pandemic has not affected the Company's sales, as the Company is yet to generate revenue, its continued disruption may delay the Company's development plans, the completion of the construction of its greenhouse facilities in Israel and the commencement of cultivation at its greenhouse facilities. The ultimate extent of the impact of the pandemic on the Company's business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the pandemic and actions taken to contain or prevent their further spread, among others. Thus, the current pandemic could therefore materially and adversely affect the Company's business, financial condition and results of operations.

Additional Risks Relating to Doing Business Internationally

The Issuer may be subject to risks generally associated with doing business in international markets when it expands into the international markets, specifically Germany. Several factors, including legal and regulatory compliance and weakened economic conditions in any of the international jurisdictions in which the Issuer may do business could adversely affect such expansion and growth.

Additionally, if the Issuer enters into new international jurisdictions, such entries would require management attention and financial resources that would otherwise be spent on other parts of the business.

International business operations expose the Issuer to risks and expenses inherent in operating or selling products in foreign jurisdictions. In addition to the risks mentioned elsewhere, these risks and expenses could have a material adverse effect on the Issuer's business, results of operations or financial condition and include without limitation:

- adverse currency rate fluctuations;
- risks associated with complying with laws and regulations in the countries in which the Issuer intends to sell its products, and requirements to apply for and obtain licenses, permits or other approvals and the delays associated with obtaining such licenses, permits or other approvals;
- multiple, changing and often inconsistent enforcement of laws, rules and regulations;
- the imposition of additional foreign governmental controls or regulations, new or enhanced trade restrictions or non-tariff barriers to trade, or restrictions on the activities of foreign agents, and distributors;
- increases in taxes, tariffs, customs and duties, or costs associated with compliance with import and export licensing and other compliance requirements;
- the imposition of restrictions on trade, currency conversion or the transfer of funds or limitations on the Issuer's ability to repatriate non-Canadian and/or non-Israeli earnings in a tax effective manner;
- the imposition of Canadian, Israeli and/or other international sanctions against a country, company, person or entity with whom the Issuer may do business that would restrict or prohibit the Issuer's business with the sanctioned country, company, person or entity;
- downward pricing pressure on the Issuer's products in the Issuer's international markets, due to competitive factors or otherwise;
- laws and business practices favouring local companies;
- political, social or economic unrest or instability;
- expropriation and nationalization and/or renegotiation or nullification of necessary licenses, approvals, permits and contracts;
- greater risk on credit terms, longer payment cycles and difficulties in enforcing agreements and collecting receivables through certain foreign legal systems;
- difficulties in enforcing or defending intellectual property rights; and

- the effect of disruptions caused by severe weather, natural disasters, outbreak of disease or other events that make travel to a particular region less attractive or more difficult.

Governments in certain foreign jurisdictions intervene in their economies, sometimes frequently, and occasionally make significant changes in policies and regulations. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on doing business, price controls, import controls, currency remittance, income and other taxes, royalties, the repatriation of profits, foreign investment, licenses and approvals and permits.

The Issuer's international efforts may not produce desired levels of sales. Furthermore, the Issuer's experience with selling products in Israel may not be relevant or may not necessarily translate into favourable results if it sells in other international markets. If and when the Issuer enters into new markets in the future, it may experience different competitive conditions, less familiarity by customers with the Issuer's brand and/or different customer requirements. As a result, the Issuer may be less successful than expected in expanding sales to new international markets. Sales into new international markets may take longer to ramp up and reach expected sales and profit levels, or may never do so, thereby affecting the Issuer's overall growth and profitability. To build brand awareness in these new markets, the Issuer may need to make greater investments

in legal compliance, advertising and promotional activity than originally planned, which could negatively impact the expected profitability of sales in those markets.

(B) Risks Related to Reliance on Israeli Subsidiaries

Potential Political, Economic and Military Instability in Israel

The Issuer's material operations are located in Israel. Consequently, the Issuer is dependent upon Israel's economic, political and military conditions. As a result, the Issuer's business, financial position and results of operations may be affected by the general conditions of the economy, price instabilities, currency fluctuations, inflation, interest rates, regulation, taxation, social instabilities, political unrest and other developments in or affecting Israel, over which the Issuer has no control. In the past, Israel has experienced periods of weak economic activity and deterioration in economic conditions. The Issuer cannot assure that such conditions will not return or that such conditions will not have a material adverse effect on the Issuer's business, financial condition or results of operations.

Since the State of Israel was established in 1948, a number of armed conflicts have occurred between Israel and its neighbors. Terrorist attacks and hostilities within Israel; the hostilities between Israel and Hezbollah and between Israel and Hamas; the conflict between Hamas and Fatah; as well as tensions between Israel and Iran, have also heightened these risks, including extensive hostilities in November 2012 and from July to August 2014 along Israel's border with the Gaza Strip, which resulted in missiles being fired from the Gaza Strip into Israel. There can be no assurance that attacks launched from the Gaza Strip will not reach our facilities, which could result in a significant disruption of our business. In addition, there are significant ongoing hostilities in the Middle East, particularly in Syria and Iraq, which may impact Israel in the future. Any hostilities involving Israel, a significant increase in terrorism or the interruption or curtailment of trade between Israel and its present trading partners, or a significant downturn in the economic or financial condition of Israel, could materially adversely affect the Issuer's operations. Ongoing and revived hostilities or other Israeli political or economic factors could have a material adverse effect on the Issuer's business, operating results and financial condition.

It is unknown as to how the volatile climate currently hinders Israel's international trade relations and whether they still may limit the geographic markets where the Issuer can operate. Any resumption of hostilities involving Israel or threatening Israel, or the interruption or curtailment of trade between Israel and its present trading partners, could have a material adverse effect on the Issuer's operations albeit that there is no direct evidence of this having been the case over the past conflicts. Security and political instability in the Middle East and Israel in particular may harm the Issuer's business. Any armed conflicts or political instability in the region, including acts of terrorism or any other hostilities involving or threatening Israel could have a negative effect on business conditions and could make it more difficult for the Issuer to conduct its operations in Israel and/or increase its costs and adversely affect its financial results. Furthermore, some neighbouring countries, as well as certain companies and organizations continue to participate in a boycott of Israeli firms and others who do business with Israel or with Israeli companies. However, generally this is not the case with the major corporations in the industry that deal with Israel. Restrictive laws, policies or practices directed towards Israel or Israeli businesses could have an adverse impact on the expansion of the Issuer's business.

The Issuer's operations could be disrupted by the absence for significant periods of one or more of its senior management, key employees or a significant number of other employees because of military service. Israeli male under the age of 45 are obliged to perform military reserve duty, which accumulates annually from several days to up to two months in special cases and circumstances. The length of such reserve duty depends, among other factors, on an individual's age and prior position in the military. In addition, if a military conflict occurs, these persons could be required to serve in the military for extended periods of time. Any disruption in the Issuer's operations as the result of military service by key personnel could harm its business.

Crime and Business Corruption Risk

The Issuer and its personnel are required to comply with applicable anti-bribery laws, including the *Canadian Corruption of Foreign Public Officials Act*, as well as local laws in all areas in which the Issuer does business. These, among other things, include laws in respect of the monitoring of financial transactions and provide a framework for the prevention and prosecution of corruption offences, including various restrictions and safeguards. However, there can be no guarantee that these laws will be effective in identifying and preventing money laundering and corruption. While corruption does not appear to be institutionalized and businesses can largely operate and invest in Israel without interference from corrupt officials, there is evidence that corruption exists in Israel. The failure of the Israeli government to fight corruption or the perceived risk of corruption could have a material adverse effect on the local economies. Any allegations of corruption or evidence of money laundering in Israel could adversely affect the ability of Israel to attract foreign investment and thus have a material adverse effect on its economy which in turn could have a material adverse effect on the Issuer's business, results of operations, financial condition and prospects. Moreover, findings against the Issuer, the directors, the officers or the employees of the Issuer, or their involvement in corruption or other illegal activity could result in criminal or civil penalties, including substantial monetary fines, against the Issuer, the directors, the officers or the employees of the Issuer. Any government investigations or other allegations against the Issuer, the directors, the officers or the employees of the Issuer, or finding of involvement in corruption or other illegal activity by such persons, could significantly damage the Issuer's reputation and its ability to do business and could have a material adverse effect on its financial condition and results of operations.

Operational Risks

Operations in Israel are subject to risk due to the potential for social, political, economic, legal and fiscal instability. The government in Israel faces ongoing problems including but not limited to inflation, unemployment and inequitable income distribution. In addition, Israel experiences terrorist-related violence, a prevalence of kidnapping activities and civil unrest in certain areas of the country. Such instability may require the Issuer to suspend operations on its properties. Although the Issuer is not presently aware of any circumstances or facts which may cause the following to occur, other risks may involve matters arising out of the evolving laws and policies in Israel, any future imposition of special taxes or similar charges, as well as foreign exchange fluctuations and currency convertibility and controls, the unenforceability of contractual rights or the taking or nationalization of property without fair compensation, restrictions on the use of expatriates in the Issuer’s operations, or other matters.

Operations in Hebrew

As a result of the Issuer conducting its operations in Israel, the books and records of the Issuer, including key documents such as material contracts and financial documentation are principally negotiated and entered into in the Hebrew language and English translations may not exist or be readily available.

Enforcement of Judgments

The Issuer was continued under the laws of the Province of British Columbia, however all of its assets are located outside Canada. As a result, investors may not be able to effect service of process within Canada upon the Issuer’s potential future Israeli directors or officers or enforce against them in Canadian courts judgments predicated on Canadian securities laws. Likewise, it may also be difficult for an investor to enforce in Canadian courts judgments obtained against these persons in courts located in jurisdictions outside Canada. As a result, shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the Board or controlling shareholders than they would as public shareholders of a Canadian company.

Difficulty Enforcing Canadian Law Against an Israeli Company

All of the Issuer's material non-cash assets, are located outside of Canada. Therefore, a judgment obtained against the Issuer, including a judgment based on the civil liability provisions of the Canadian securities laws, may not be collectible in Canada and may not be enforced by an Israeli court. It also may be difficult to effect service of process on a foreign individual in Canada or to assert Canadian securities law claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of Canadian securities laws reasoning that Israel is not the most appropriate forum in which to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not Canadian law is applicable to the claim. If the Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact by expert witnesses, which can be a time consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel that addresses the matters described above. As a result of the difficulty associated with enforcing a judgment against the Issuer or the Issuer in Israel, it may be difficult to collect any damages awarded by either a Canadian or a foreign court.

Non-Operating Parent Corporation Structure

The Issuer is a non-operating parent corporation that will hold assets and carry on its business through Holdings, its wholly-owned subsidiary. The Issuer will control Holdings through its ownership of Holdings' securities which will entitle it to elect the directors of Holdings (which entitlement the Issuer will exercise) and the directors may then appoint the officers of Holdings. To the extent that there are risks inherent in having a subsidiary hold asset and carry on business, the Issuer will mitigate those risks by implementing an effective system of corporate governance, internal controls over financial reporting, and disclosure controls and procedures that will apply at all levels of the Issuer. These systems will be overseen by the board of directors of the Issuer and will be implemented by the Issuer's senior management. As a wholly-owned subsidiary, Holdings is controlled by the Issuer as a matter of corporate law. The Issuer will be entitled to appoint and dismiss directors of Holdings and the directors have the authority to appoint and dismiss officers of Holdings. Accordingly, the directors and officers of Holdings will ultimately be accountable to the management of the Issuer and the Issuer will have complete control over Holdings.

Investments in Cannation

The Company has co-invested in Cannation with its original shareholders (the "Cannation Partners"). Although the Company owns 50% of Cannation, under certain circumstances it may be possible that the Company relinquishes such rights over its investment and, therefore, may have a limited ability to protect its position therein. In addition, even when the Company maintain 50% of Cannation, Cannation may be subject to typical risks associated with third-party involvement, including the possibility that the Cannation Partners may have financial difficulties resulting in a negative impact on Cannation, may have economic or business interests or goals that are inconsistent with those of the Company, or may be in a position to take (or block) action in a manner contrary to the Company's objectives. The Company may also, in certain circumstances, be liable for the actions of the Cannation Partners.

(C) Risks Related to Financial and Accounting

Access to Capital

The Issuer makes, and will continue to make, substantial investments and other expenditures related to acquisitions, research and development and marketing initiatives. Since its incorporation, the Issuer has financed these expenditures through offerings of its equity securities. The Issuer will have further capital

requirements and other expenditures as it proceeds to expand its business or take advantage of opportunities for acquisitions or other business opportunities that may be presented to it. The Issuer may incur major unanticipated liabilities or expenses. The Issuer can provide no assurance that it will be able to obtain financing on reasonable terms or at all to meet the growth needs of its operations.

Negative Cash Flow for the Foreseeable Future

The Company has a no history of earnings or cash flow from operations. The Company may not generate material revenue or achieve self-sustaining operations in the next year, if at all. To the extent that the Company has negative cash flow in future periods, the Company may need to allocate a portion of its cash reserves to fund such negative cash flow.

The Company's failure to raise additional capital necessary to expand the Company's operations and invest in the Company's business could reduce the Company's ability to compete successfully

The Company may require additional capital in the future to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. Due to the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. To become and remain competitive, the Company requires research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company. The Company may not be able to obtain additional debt or equity financing on favorable terms, if at all. If the Company raises additional equity financing, the shareholders of the Company may experience significant dilution of their ownership interests, and the per-share value of the Company's securities could decline. Moreover, any new equity securities the Company issues could have rights, preferences and privileges senior to those of holders of Company's existing securities. If the Company engages in debt financing, the Company may be required to accept terms that restrict its ability to incur additional indebtedness and force it to maintain specified liquidity or other ratios. If the Company needs additional capital and cannot raise or otherwise obtain it on acceptable terms, it may not be able to, among other things:

- develop or introduce service enhancements to customers;
- continue to expand the Company's development, sales and marketing and general and administrative functions;
- acquire complementary technologies or businesses;
- expand the Company's operations;
- hire, train and retain employees; or
- respond to competitive pressures or unanticipated working capital requirements.

Market for Securities and Volatility of Share Price

There can be no assurance that an active trading market in the Issuer's securities will be established or sustained. The market price for the Issuer's securities could be subject to wide fluctuations. Factors such as announcements of quarterly variations in operating results and acquisition or disposition of properties, as well as market conditions in the industry, may have a significant adverse impact on the market price of the securities

of the Issuer. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Foreign Sales and Currency Fluctuations

The Issuer's functional currency is denominated in Canadian dollars. The Issuer currently expects that sales will be denominated in Israeli new shekels and may, in the future, have sales denominated in the currencies of additional countries in which it establishes operations or distribution. In addition, the Issuer incurs the majority of its operating expenses in Israeli new shekels. In the future, the proportion of the Issuer's sales that are international may increase. Such sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign currencies may negatively impact the Issuer's business, financial condition and results of operations. The Issuer has not previously engaged in foreign currency hedging. If the Issuer decides to hedge its foreign currency exposure, it may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide the Issuer from foreign currency fluctuations and can themselves result in losses.

Estimates or Judgments Relating to Critical Accounting Policies

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. the Issuer bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, as provided in the notes to the Isracann Holdings Annual Financial Statements and the Annual Financial Statements, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. The Issuer's operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause the Issuer's operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the share price of the Issuer. Significant assumptions and estimates used in preparing the financial statements include those related to the credit quality of accounts receivable, income tax credits receivable, share based payments, impairment of non-financial assets, fair value of biological assets, as well as revenue and cost recognition.

OTHER INFORMATION

Other information relating to the Company may be found on the Company's website located at www.atlasblockchaingroup.com, the SEDAR website located at www.sedar.com and the CSE website located at thecse.com.

BY ORDER OF THE BOARD

Isracann Biosciences Inc.

"*Phil Floucault***"**

CEO and Director
January 31, 2022