I.M.C. Holdings Ltd.

Management's Discussion and Analysis of

For the Three and Nine Months Ended September 30, 2019 and 2018

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This Management's Discussion and Analysis ("MD&A") reports on the consolidated financial condition and operating results of IMC Holdings Ltd. (the "Company" or "IMC") for the three and nine months ended September 30, 2019. Throughout this MD&A, unless otherwise specified, "IMC", "the Company", "we", "us" or "our" refer to IMC Holdings Ltd. The Company is incorporated and domiciled in Israel and the Company's registered office is located at Kibbutz Glil Yam, Israel.

This MD&A should be read in conjunction with the audited financial statements of the Company and notes thereto for the year ended December 31, 2018 (the "Annual Financial Statements"), the unaudited condensed interim financial statements for the three and nine months period ended September 30, 2019 and 2018 (the "Interim Condensed Consolidated Financial Statements").

The Statements have been prepared by management in accordance with the international financial reporting standards (IFRS) using International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the amount of revenue and expenses incurred during the reporting period. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods.

The Company's condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited financial statements as at and for the year ended December 31, 2018.

IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the amount of revenue and expenses incurred during the reporting period. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods.

The consolidated financial statements include the accounts of the Company, Focus and its subsidiaries: I.M.C. – International Medical Cannabis Portugal, Unipessoal Lda., IMC Ventures Ltd., and Adjupharm GmbH ("Adjupharm"). All intercompany balances and transactions were eliminated on consolidation.

All amounts in the MD&A are expressed in Canadian Dollars ($) in thousands, unless otherwise noted.

This MD&A has been prepared as of November 29, 2019.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A may contain "forward-looking information," within the meaning of applicable securities laws of the Securities Act (Israel) with respect to IMC. Such statements include, but are not limited to, statements with respect to expectations, projections, or other characterizations of future events or circumstances, and our objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to our plans and objectives, or estimates or predictions of actions of customers, suppliers, competitors or regulatory authorities. These statements are subject to certain risks, assumptions and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words "believe", "plan", "intend", "estimate",

"expect", or "anticipate", and similar expressions, as well as future or conditional verbs such as "will", "should", "would", and "could" often identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. With respect to forward looking statements contained in this MD&A, the Company has made assumptions and applied certain factors regarding, among other things: future cannabis pricing; cannabis production yields; costs of inputs; its ability to market the IMC brand and its services successfully to its anticipated clients; reliance on key personnel; the regulatory requirements; the application of federal and provincial environmental laws; and the impact of increasing competition.

These forward-looking statements are also subject to the risks and uncertainties discussed in the "Risks Factors" section and elsewhere in this MD&A and other risks detailed from time to time in the publicly filed disclosure documents of the Company which are available at www.sedar.com. Forward-looking statements are not guaranteeing of future performance and involve risks, uncertainties, and assumptions which could cause actual results to differ materially from the conclusions, forecasts, or projections anticipated in these forward-looking statements. Because of these risks, uncertainties, and assumptions, the reader should not place undue reliance on these forward-looking statements. The Company's forward-looking statements are made only as of the date of this MD&A, and except as required by applicable law, IMC undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events or circumstances.

OVERVIEW OF THE COMPANY

Company Background

IMC was established and incorporated on January 16, 2018, in Israel as a private company. The Company's main office is located in Kibutz Glil-Yam, Israel.

IMC is the wholly-owned subsidiary of IM Cannabis Corp. ("IMCC"), an international medical cannabis company. Internationally, IMCC is establishing a vertically integrated medical cannabis business in Germany. Subject to obtaining applicable governmental and regulatory approvals, IMCC has expansion plans for additional European markets including, but not limited to, Portugal and Greece. IMCC's core Israeli business includes offering branding and intellectual property-related services to the Israeli medical cannabis market. IMCC's major Israeli assets include the Option Agreements to purchase the Licensed Entities from the Principals and the Commercial Agreements as well as holdings in an innovation-focused company, while its international assets include material holdings in a fully licensed medical cannabis distribution company in Germany and a subsidiary in Portugal.

The Company operates in the field of medical cannabis by providing intellectual property and services to licensed producers. Focus Medical Herbs Ltd. ("Focus"), a licensed medical cannabis producer in Israel with whom the Company has exclusive commercial agreements, is the first major Israeli licensed producer to utilize the Company's intellectual property and know-how.

Neither the Company nor any of its subsidiaries currently hold, directly or indirectly, any licenses to engage in the cultivation, production, processing, distribution or sale of medical cannabis in Israel. However, under International Financial Reporting Standards ("IFRS") 10, the Company is required to consolidate the results of Focus, a licensed propagator and cultivator of medical cannabis under the current Israeli regulatory regime. As such, all financial information in this MD&A is presented on a consolidated basis reflecting the results of the Company, its subsidiaries and Focus (the "Group"). Focus operates under the regulations of medical cannabis by the Israeli Ministry of Health ("MOH") through its Israel Medical Cannabis Agency

("IMCA") to breed, grow, and supply medical cannabis products in Israel and all of its operations are performed pursuant to the Israeli DANGEROUS DRUGS ORDINANCE [NEW VERSION], 5733 - 1973 (the "Dangerous Drugs Ordinance"), and the related regulations issued by IMCA.

The revenues of the Group, under application of IFRS 10, were generated from sales of medical cannabis products to customers in Israel. IMC and its subsidiaries do not engage in any U.S. cannabis-related activities as defined in Canadian Securities Administrators Staff Notice 51-352.

On March 15, 2019, IMC acquired Adjupharm, incorporated in Germany Adjupharm is a licensed EU-GMP producer with wholesale, narcotics handling and import/export licenses for medical cannabis.

IMC is a participant in the Israeli medical cannabis market that is estimated to be approximately US$40 million today based on consumption by more than 50,000 users at a monthly cost of NIS 316 (before local VAT) prior to the new regulation.

As of September 30, 2019, products bearing IMC's brand are reaching approximately 5,000 patients with monthly prescriptions.

Company Products

IMC is a well-known, recognized medical cannabis brand in Israel that is responsible for successfully bringing to market popular cannabis strains such as Roma, DQ, London, Tel-Aviv, Elle and Pandora's Box. The Company believes that the IMC brand in Israel has become synonymous with quality, purity and consistency.

Focus is currently offering two main types of products carrying IMC's brand: dried cannabis and cannabis oil. All the products are tested in certified labs according to the Israeli MOH standards and certified before being packaged and labelled with detailed information about the levels of tetrahydrocannabinol ("THC") and cannabidiol ("CBD") within each product.

There are currently several dried medical cannabis products and medical cannabis oil products bearing IMC's brand:

DRIED MEDICAL CANNABIS PRODUCTS BEARING IMC'S BRAND (DISTRIBUTED BY FOCUS)		
Strain	**THC/CBD Content**	**Usage**
Dairy Queen Sativa 40 / Indica 60	THC: 17-21% CBD: <0.1%	In Israel, has been prescribed for relief from pain, stress and anxiety, ALS, MS, Crohn's disease.
Pandora's Box Sativa 70 / Indica 30	THC: 17-20% CBD: <0.1%	In Israel, has been prescribed for relief from pain, stress and anxiety; treats depression, migraines and nausea.

Roma Indica Dominant	THC: 26-30% CBD: <0.1%	In Israel, has been prescribed for relief from chronic pain and migraines; treatment of insomnia, eating disorders and anxiety.
London Indica Dominant	THC: 14-18% CBD: <0.1%	In Israel, has been prescribed for relief from chronic pain and migraines; treatment of insomnia, eating disorders and anxiety, PTSD.
Tel Aviv Sativa 80 / Indica 20	THC:11-19% CBD: <0.1%	In Israel, has been prescribed for relief from chronic pain and migraines; treatment of eating disorders and anxiety.
DRIED MEDICAL CANNABIS PRODUCTS BEARING IMC'S BRAND (DISTRIBUTED BY FOCUS)		
Paris Sativa 40 / Indica 60	THC: 7-9% CBD: 9-13%	In Israel, has been prescribed for relief from the side effects of chemotherapy and radiation treatments of cancer patients.
Medical Cannabis Oil	THC: 10% CBD: 2%	In Israel has been prescribed for patients who are first-time users of medical cannabis for various indications.
Medical Cannabis Oil – Forte	THC: 15% CBD: 3%	In Israel, has been prescribed for inducing sleep and alleviating pain, as well as relieving side effects of chemotherapy treatment.
Rich CBD Medical Cannabis Oil	THC: 6% CBD: 4%	In Israel, has been prescribed for patients with active day-time routines as the formula minimizes psychoactive effects.

Corporate Developments

(i) Corporate Restructuring and Canadian Liquidity Event

In mid-2018, the Company entered into a binding letter agreement with Navasota Resources Inc. ("Navasota") and Navasota Acquisition Ltd. ("Navasota Subco") pursuant to which IMC would complete a reverse takeover transaction by way of a three-cornered amalgamation with Navasota and Navasota Subco to expand its business and access Canadian capital markets (the "Reverse Takeover Transaction"). IMC, Navasota and Navasota Subco entered into a definitive business combination agreement on September 3,

2019 (the "Definitive Agreement") which superseded a previous agreement between IMC, Navasota and Navasota Subco dated November 6, 2018.

In June 2019, the Company completed the IMC Restructuring (as defined and detailed below).

Following completion of the Reverse Takeover Transaction, IMC and Navasota Subco combined their respective businesses and assets. Upon completion of the Reverse Takeover Transaction, Navasota changed its name to "IM Cannabis Corp." (the "Resulting Issuer") and commenced trading on the on the Canadian Securities Exchange ("CSE") under the ticker symbol "IMCC".

(ii) Restructuring

Prior to competing the Reverse Takeover Transaction and listing on the CSE, the Company facilitated a restructuring of its Israel-based assets (the "IMC Restructuring"), to meet certain compliance requirements set by the MOH in Israel.

Under the terms of the IMC Restructuring, IMC divested its interests in Focus, IMC Pharma Ltd. ("IMC Pharma") and I.M.C.C. Ltd. ("IMCCL") to Oren Shuster, the sole director and CEO of the Company and the CEO and director of IMCC, and Rafael Gabay, an insider of IMCC (the "Principals"), who both are related parties. In connection with the divestment of Focus, IMC Pharma and IMCCL, the Company entered into option agreements whereby IMC retains a 10 year option to re-acquire the sold interests at such time as Israeli laws permit foreign share ownership of more than 5% of Israeli medical cannabis companies.

In connection with the IMC Restructuring, IMC entered into a license agreement with Focus (the "License Agreement") that granted Focus a limited, non-exclusive, non-assignable right to use certain of IMC's IP for the purposes of cultivating cannabis plants in the State of Israel and for the sale of any plant and/or product produced by Focus, either alone or together with other sub-contractors engaged by Focus. As consideration for the License Agreement, Focus pays to IMC an amount equal to 25% of Focus' total revenues, payable quarterly.

Also in connection with the IMC Restructuring, IMC entered into a services agreement with Focus (the "Services Agreement") to provide certain business support services to Focus in exchange for a fee equal to Focus' cost per gram of medical cannabis plus 25%, payable on a quarterly basis.

As a result of the IMC Restructuring, IMC derives revenue from the License Agreement and the Services Agreement. IMC no longer directly holds any licenses to engage in the cultivation, production, processing, distribution or sale of medical cannabis in Israel.

(iii) License Renewal

Effective December 13, 2018, Israeli MOH renewed the license of Focus to March 30, 2020. The license currently allows Focus, to, among other things, grow and hold in the growing installation at any given time total up to 12,000 plants of the different types and at the different cultivation stages at any point of time. In addition, up to 900 kilos of the plant inflorescence at post-harvest processing stages and up to 450 kilos of unplanted plant parts, as well as plants uprooted also not for the purpose of processing. In addition, the license also allows Focus to cultivate and store in the production installation up to 3,630 plants of different types and at the different cultivation stages at any point of time.

(iv) Regulatory Changes

Until today, patients received licenses for the use of medical cannabis from the IMCA, which set a fixed monthly price for patients registered to receive products, regardless of the amount they consumed. Patients who were entitled to receive the product, paid a fixed price of 370 NIS per month (including VAT), thus, a patient that received 20 grams of the product paid the same as a patient that received 180 grams. Beginning in April 2018, the Israeli MOH initiated a pilot to sell medical cannabis products through pharmacies. Under the MOH's new regulations, patients will obtain a prescription for medical cannabis from a physician and purchase the prescribed medicine from pharmacies. In addition, the price of medical cannabis will no longer be controlled by the MOH and is expected to increase to reflect patients' actual consumption amounts and choices of products.

Following the implementation of the reform on October 2019, IMC expects the Israeli medical cannabis market to benefit in the short-term future for several reasons, including:

(a) price increases;
(b) the tripling of the number of physicians certified by the IMCA to prescribe medical cannabis;
(c) the ability of physicians to directly prescribe medical cannabis to patients rather than the previous qualification method whereby the IMCA assigned patients to suppliers;
(d) the continued growth rate of the Israeli medical cannabis patient base and the resolution of an IMCA backlog that has slowed the approval process; and
(e) expansion of the list of ailments and diseases for which medical cannabis can be prescribed[1] to conditions affecting, according to IMC's estimates, approximately 2% to 4% of the population, or a total of approximately 250,000 to 350,000 people.

Focus had previously distributed approximately 80% of its medical cannabis products by home delivery and 20% via one designated distribution outlet set by the IMCA. IMC does not expect this breakdown to materially change under the new MOH Regulations.

(v) Medical Cannabis Exports

The Israeli government approved the Export Reform in January 2019 and it is anticipated that the LPs who received export licenses from the MOH will begin exporting medical cannabis products within several months, subject to compliance by such LPs with the regulations set or which shall be set by the MOH. Given IMC's brands and market position as well as Focus's recently awarded GAP certification, the Company expects to benefit from export. Focus expects that the export will start in 2020.

(vi) A New Brand

During 2018, IMC formally changed its corporate branding to International Medical Cannabis. The new brand reflects IMC's strategic plan to diversify from an Israeli medical cannabis company and into an international medical cannabis company while remaining aligned with the Company's longstanding reputation as a leading producer and supplier of medical cannabis.

1 Medical Cannabis –Information and Medical Guidebook, Ministry of Health, Circular of Deputy General Manager, 2nd Revision, December 2017 https://www.health.gov.il/hozer/mmk154_2016.pdf

(vii) International Activity

IMC believes that the key to its global expansion is penetration to the European market through the promotion of IMC's brand as part of a wholly owned distribution platform.

IMC's European strategy begins with Germany, currently the largest and most advanced market in Europe. To develop its operations, On March 15, 2019, IMC completed the acquisition of 100% of Adjupharm, a licensed EU-GMP producer with wholesale, narcotics handling and import/export licenses for medical cannabis. IMC acquired issued and outstanding Adjupharm shares for €924 (approximately $1,400) with additional obligations to the sellers including repayment of bank loans of up to €680 (approximately $1,030). As of the approval date of the financial statements these bank loans were repaid by the Company. On March 21, 2019, following the acquisition, the Company granted to Adjupharm's CEO 5% of Adjupharm's Ordinary shares.

Adjupharm will begin to develop IMC brand presence in Germany along with distribution leadership in this growing medical cannabis market.

To achieve sufficient product availability for distribution in the German market, IMC expects to enter strategic agreements with EU-GMP suppliers, establish its own cultivation facilities independently or in partnership with local partners, and promote the export of Focus' and other LPs' products from Israel once export is permitted by the MOH.

On October 2018, IMC Holding established a wholly-owned company in Portugal in order to apply for a medical cannabis cultivation license. Once the Company is licensed, IMC intends to export medical cannabis to partners in Europe.

Overall Financial Performance

	For the nine months ended September 30,		For the three months ended September 30,	
Financial Results	**2019**	**2018**	**2019**	**2018**
Revenues ('000)	$ 6,595	$ 3,758	$ 2,326	$ 1,377
Gross margin before fair value impacts in cost of sales ('000)	$ 3,433	$ 2,225	$ 1,026	$ 1,204
Gross margin before fair value impacts in cost of sales (%)	52%	59%	44%	87%
Net Income (Loss) ('000)	$ -9,112	$ 1,359	$ -1,915	$ 1,414
Operational Results - Medical Cannabis				
Active registered patients	4,636	3,617	4,636	3,617
Average net selling price of dried cannabis	$ 3.06	$ 2.67	$ 2.89	$ 2.66
Quantity produced (in Kilograms)	1,448	1,155	1,264	1,155
Quantity sold (in Kilograms)	1,698	1,135	583	424

Balance Sheet	**September 30, 2019**	**December 31, 2018**
Total assets ('000)	$ 15,193	$ 14,994
Total liabilities ('000)	$ 10,386	$ 3,383

The Group's financial results for the period continued to show strong growth in dried medical cannabis and cannabis oil sales. Compared to the nine months period ended September 30, 2018, medical cannabis revenue increased by 75%, while showing a significant increase in inventory. Cannabis inventory and biological assets increased by 26% compared to December 31, 2018.

Focus' production and operations have been consistently growing in both sales and capacity since inception. The Group has maintained its emphasis on providing quality products produced in a cost-effective manner. From costs perspective (before fair value adjustments), in the first nine months of 2019 cost increase occurred mainly due to the following items: employment and contracting of experienced personnel and experts, additional business development activities and additional corporate activities, mainly related to the listing of the company in the CSE.

During the nine months ended September 30, 2019, the Group focused its efforts and operational and capital spending on the following:

• Registration and preparation for the listing in the CSE;

• Hiring of financial advisors and establishing its management personnel;

• Optimizing and increasing production to meet the anticipated increase in product demand;

• Increasing market awareness of the Company and its products; and

• Acquisition of distribution companies abroad and investment into strategic partnerships.

Review of Operations for the nine-months ended September 30, 2019 and 2018

Revenues

Revenues for the nine-month period ended September 30, 2019 were $6,595 compared to $3,758 for the nine-month period ended September 30, 2018, an increase of $2,837 or 75%. The increase in revenues, year-over-year, is primarily due to the growth in the Focus' customer base. Total product sold for the nine-month period ended September 30, 2019 was 1,698 kilograms at an average selling price of $3.06 per gram compared to 1,135 kilograms for the nine months period ended September 30, 2018 at an average selling price of $2.67 per gram.

Cost of revenues

Cost of revenues includes production, testing, shipping and sales related costs. At harvest, the biological assets are transferred to inventory at their fair value which becomes the deemed cost for inventory. Inventory is later expensed to cost of sales when sold. Direct production costs are expensed through cost of sales. Cost of revenues for the nine-month period ended September 30, 2019 and 2018 were $3,162 and $1,533, respectively, an increase of $1,629 or 106%. Most of the cost of revenues are comprised of production works, utilities, salary expenses and deliveries. Focus expects net cost of sales to vary from quarter to quarter based on the number of pre-harvest plants, after harvest plants and the strains being grown and based on technological progress in the trimming machines.

Gross profit

The Company's gross profit is comprised of the following:

• Production costs represents current period costs that are directly attributable to the cannabis growing and harvesting process;

- Fair value adjustment on sale of inventory represents the change in fair value associated with biological assets that were transferred to inventory upon harvest; and
- Fair value adjustment on growth of biological assets represents the estimated fair value less cost to sell of biological assets as at the reporting date.

Included in gross profit is the net change in fair value of biological assets, inventory expensed and production costs. Biological assets consist of cannabis plants at various after-harvest stages which are recorded at fair value less costs to sell after harvest.

Gross profit for the nine months period ended September 30, 2019 was $4,203 compared to $3,625 for the nine-month period ended September 30, 2018, an increase of $578 or 16%. Gross profit includes unrealized gain from changes in biological assets and realized fair value adjustments on inventory sold in the period of $770 compared to $1,400 during the nine-month period ended September 30, 2019 and 2018, respectively. We expect gross profit to vary from quarter to quarter based on the number of pre-harvest plants, after harvest plants and the strains being grown at the end of the quarter.

Expenses

General and administrative

General and administrative expenses for the nine-month period ended September 30, 2019 were $5,125 compared to $1,273 for the nine-month period ended September 30, 2018, an increase of $3,852 or 303%. The increase represents the Company's efforts to bring more labor and talent into the Company, increased travel, increased corporate activity, investor relations and maintenance costs as well as other overhead associated with the growth including contactors, professional fees and increased site security.

Selling and Marketing

Selling and Marketing expenses for the nine-month period ended September 30, 2019 were $964 compared to $326 for the nine-month period ended September 30, 2018, an increase of $638 or 196%. The increase in the Selling and Marketing expenses is due to the increase in sales to customers and as a result increase in the distribution expenses.

Research and Development

Research and development expenses for the nine-month period ended September 30, 2019 were $201. The expenses incurred due to preliminary costs for projects in Israel and Portugal in 2019.

Share-based compensation

Share-based compensation expenses for the nine-month period ended September 30, 2019 were $1,965. The expenses incurred due to the options plan approved by management and granted to employees on January 2019.

Financing

Financing expenses for the nine-month period ended September 30, 2019 were $4,602 compared to $180 for the nine-month period ended September 30, 2018, an increase of $4,422 or 2450%. The change is mainly due to the valuation update of the warrants issued in June 2018 and exchange rate differences.

Depreciation

Depreciation expense for the nine-month period ended September 30, 2019 was $436 compared to $100 during the same period in 2018, an increase of $336 or 336%. The increase was primarily due to the renewal of Focus' greenhouses and Focus' purchase of additional machines during 2019 and 2018.

Net Income/ Loss

Net loss for the nine-month period ended September 30, 2019 was $9,112 compared to a profit of $1,359 for the nine-month period ended September 30, 2018, a decrease of $10,471 or 670%. This is primarily due to the expenses associate with warrants and options granted as part of the Company's activities.

Loss per Share

Basic loss per share is calculated by dividing the net profit attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted profit per share is calculated by adjusting the earnings and number of shares for the effects of dilutive warrants and other potentially dilutive securities. The weighted average number of common shares used as the denominator in calculating diluted profit per share excludes un-issued common shares related to stock options as they are antidilutive. Basic and diluted loss per share for the nine months period ended September 30, 2019 were ($0.76) per share.

Total Assets

Total assets at September 30, 2019 were $15,193 compared to $14,994 at December 31, 2018, an increase of $199 or 1.5%. The increase is primarily due to the recognition of the intangible assets and goodwill through the Company's acquisition of Adjupharm in March 2019.

Total Liabilities

Total Liabilities at September 30, 2019 were $10,386 compared to $3,383 at December 31, 2018, an increase of $7,003 or 207%. The increase is primarily due to the liability for warrants measured at fair value and Focus' lease liabilities coming out from the new application of IFRS 16.

Intangible Assets

On March 15, 2019, IMC acquired Adjupharm, a licensed GMP producer with wholesale, narcotics handling and import/export licenses for medical cannabis. As part of its global expansion and penetration plan into the European market, IMC acquired 100% of Adjupharm's issued and outstanding shares for €924 (approximately $1,400).

Through the acquisitions of Adjupharm, the Company recognized $1,701 in intangible assets and goodwill. The goodwill arising on acquisition is attributed to the expected benefits from the synergies of the combination of the activities of the Company and Adjupharm.

The goodwill recognized is not expected to be deductible for income tax purposes.

The Company recognized the fair value of the assets acquired and liabilities assumed in the business combination according to a provisional measurement. As of the date of the approval of the financial statements, a final valuation for the fair value of the identifiable assets acquired and liabilities assumed by an external valuation specialist has not been obtained.

The purchase consideration and the fair value of the acquired assets and liabilities may be adjusted within 12 months from the acquisition date. At the date of final measurement, adjustments are generally made by restating comparative information previously determined provisionally.

Liquidity and Capital Resources

For the nine-month period ended September 30, 2019, the Company generated revenues of $6,595 from operations and financed its operations and met its capital requirements primarily by June 2018 financing round made against shareholders equity. The Company's objectives when managing its liquidity and capital resources are to generate enough cash to fund the Company's operating and working capital requirements.

As at September 30, 2019, the Company had a working capital surplus of $7,324 compared to a working capital of $12,306 at December 31, 2018. The decrease in working capital of $4,982 is primarily attributable to the cash burn rate arising from the Company's listing activity and the purchase of Adjupharm.

The condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The interim condensed consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

Share Capital

The Company's authorized share capital consists of a limited number of common shares without par value of which 12,282,750 common shares are issued and outstanding as of the date of this MD&A.

Contingent Liabilities and Commitments

(i) Rental Liabilities

On August, 2010, Focus signed an agreement with a farmer, located in the south of Israel (the "Farmer"), according to which Focus and the Farmer will jointly operate an area of 7,000 square meters (the "Facility") for the cultivation and processing of medical cannabis (the "Venture"). For the purpose of this Venture, the parties will operate in the framework of Focus. As part of the agreement, 26% of the share capital of Focus was allocated to the Farmer.

According to the agreement, Focus will be responsible for transferring to the Farmer payments for the construction and rental of the Facility.

On December 1, 2016, Focus signed an additional agreement with the Farmer, according to which Focus will operate an additional area of 6,000 square meters for the cultivation and processing of medical cannabis, under the framework of Focus.

Total rent expenses for the nine months ended September 30, 2019 and 2018, amounted to approximately $81 and $66, respectively.

(ii) Class Action T.Z. 8394-11-16

On March 11, 2016, a motion was filed for approval of a class action against Focus and seven other Israeli cannabis growers (collectively, the "Growers"), for (1) alleged use of chemical pesticides in the cannabis growing process, in contradiction to the Plant Protection Regulations (Compliance with Packaging Label Instructions) (the "Label Regulations") and to the Protection of Public Health Regulations (Food) (Residues of Pesticides) (the "Residues Regulations"), and the misleading of their customers, thus violating the Consumer Protection Law (the "Consumer Law") (hereafter: the "usage of pesticides claim") (2) selling cannabis product with lower concentration of active ingredients than publicized; and (3) marketing products in defective packaging – allegedly causing violation of Autonomy and unjust enrichment.

The personal suit sum for every class member stands at NIS 5,000 ($2); the total amount of the class action suit is estimated at NIS 133 million ($50,633).

The Growers argued in their response that the threshold conditions for approval of a class action were not met, and that they did not violate the Label Regulations and the Residues Regulations. The Growers also argued that they are not liable for any civil wrongdoing, nor did they mislead users regarding usage of pesticides, or had any legal duty regarding cannabis packaging beyond MOH guidance and therefore did not breach any statutory duty. Additionally, the defense argues that there is no base for an unjust enrichment claim.

On September 6, 2018, the MOH and the Ministry of Agriculture submitted their official opinion to the court. The second preliminary hearing took place on October 29, 2018. In an evidentiary hearing held on September 9th, 2019, the petitioners and the Growers testified and it was decided to remove the plaintiffs' second and last expert opinion from the motion. Written summaries will be filed in the coming months.

At the current stage of the litigation process, Focus' management believes, based on the opinion of its legal counsel, that it is probable (more likely than not) that the motion for a class action against the Focus will be approved. Therefore, an accrual in respect of this litigation was recorded in the financial statements.

(iii) Class Action T.Z. 35676-08-19

On August 19, 2019, a motion was filed for approval of a class action (the "Motion") against 17 companies (the "Companies") operating in the field of medical cannabis in Israel, including Focus. The applicant's argument is that Companies did not accurately mark the concentration of active ingredients in their products. The personal suit sum for every class member stands at NIS 15,585 ($5.9); the total amount of the class action suit is estimated at NIS 686 million ($261,000).

At this preliminary stage, Focus' management believes, based on the opinion of its legal counsel, that it is not possible to assess the prospects of the proceeding. Therefore, no provision has been recorded in respect thereof.

(iv) Supreme Court of Justice 2335/19

On October 6, 2019, Focus received a decision regarding a petition that was filed against the MOH, concerning the new regulatory framework of the cannabis market and demanding that the court resolve as follow:

1.1 That the MOH immediately suspends the implementation of the new regulation that harms, disproportionally, the medical cannabis patients;

1.2 That the implementation of the new regulation, as is, would cause violation of constitutional rights of the medical cannabis patients;

1.3 That the MOH amends the flaws of the new regulation, prior to becoming effective, and to establish new regulations regarding labeling and use of pesticides.

According to the decision the Focus has been attached to the proceedings as a respondent, and filed its response on November 12, 2019.

In addition, the decision has extended the validity of patients licenses until the earliest of March 31, 2020, or 10 days after the date the MOH comes to a conclusion regarding the price control of medical cannabis products.

At this preliminary stage, Focus' management believes, based on the opinion of its legal counsel, that it is not possible to assess the prospects of the proceeding's outcome. Therefore, no provision has been recorded in respect thereof.

(v) Class Action T.Z. 31805-10-19

On October 30, 2019, Focus was served with a Motion for approval of a class action against it, the Medical Cannabis Unit in MOH (MCU), and Five other companies related to the cannabis market in Israel. The Motion was filed in connection to a stopping of supplies of medical cannabis by way of direct supply. The legal causes alleged in the Motion are: Discrimination in violation of the Equal Rights for Persons with Disabilities Act, 1988; Restrictive arrangement contrary the Economic Competition Law, 1988. The motion argues that the class action group incurred damages at the amount of NIS 656 Million ($250,000).

At this preliminary stage, Focus' management believes, based on the opinion of its legal counsel, that it is not possible to assess the prospects of the proceeding. Therefore, no provision has been recorded in respect thereof.

(vi) T.K. 32304-10-19

On October 23, 2019, a lawsuit was filed against Focus. The lawsuit alleges that Focus breached its obligation to provide medical cannabis to the claimant in accordance with the license due to mismanagement. According to the plaintiff's claim, the plaintiff sustained pecuniary and non-pecuniary damage. The plaintiff had to resort to the illegal black market in order to purchase the cannabis at a costly price and at a lower quality than the quality provided by the Company. The total claim is NIS 23,630 ($9).

On November 24, 2019, Focus applied for a delay of proceedings. No decision has yet been given in this matter.

At this preliminary stage, Focus' management believes, based on the opinion of its legal counsel, that it is not possible to assess the prospects of the proceeding. Therefore, no provision has been recorded in respect thereof.

Off-Balance Sheet Arrangements

IMC has no off-balance sheet arrangements as at September 30, 2019.

Transactions with Related Parties

The Company had no transactions with related parties except those pertaining to transactions with key management personnel and shareholders in the ordinary course of their employment or directorship. Transactions with related parties for the sale of Focus due to the restructuring process were adjusted in the Company's financial statements following the application of IFRS 10.

Risk Factors

The Company has implemented Risk Management Governance Processes that are led by the Board of Directors, with the active participation of management, and updates its assessment of its business risks on an annual basis. Notwithstanding, it is possible that the Company may not be able to foresee all the risks that it may have to face. The market in which IMC currently competes is complex, competitive and changes rapidly. Sometimes new risks emerge, and management may not be able to predict all of them or be able to predict how they may cause actual results to be different from those contained in forward looking statements. Readers of this MD&A should not rely upon forward looking statements as a prediction of future results.

The following risk factors have been identified by Management:

Financial Risk Factors

(i) General Business Risk and Liability

Given the nature of the Company's business, it may from time to time be subject to claims or complaints from investors or others in the normal course of business. The legal risks facing the Company, its directors, officers, employees or agents in this respect include potential liability for violations of securities laws, breach of fiduciary duty or misuse of investors' funds. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or the suspension or revocation of the Company's right to carry on its existing business. The Company may incur significant costs in connection with such potential liabilities.

(ii) Regulation of the Cannabis Industry

The business and activities of the Group are heavily regulated in all jurisdictions where it carries on business. The Group's operations are subject to various laws, regulations and guidelines by governmental authorities, particularly Israeli MOH, relating to the manufacture, marketing, management, transportation, storage, sale, pricing and disposal of medical Cannabis and Cannabis oil, and also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment.

Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Group, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services. Achievement of the Group's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the production and sale of its products.

The Group 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 governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Failure to comply with the laws and regulations applicable to its operations may lead to possible sanctions including the revocation or imposition of additional conditions on licenses to operate the Group's business, the suspension or expulsion from a particular market or jurisdiction or of its key personnel, and the

imposition of fines and censures. To the extent that there are changes to the existing laws and regulations or the enactment of future laws and regulations that affect the sale or offering of the Company's products or services in any way, this could have a material adverse effect on the business, results of operations and financial condition of the Group.

(iii) Changes in Laws, Regulations and Other Guidelines

The Group's operations are subject to a variety of laws, regulations, and guidelines relating to the marketing, acquisition, manufacture, management, transportation, storage, sale and disposal of medical cannabis but also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. While the Company is currently in compliance with all such laws, regulations and guidelines, any changes due to matters on such laws and regulations beyond the control of the Company could have a material adverse effect on the business, results of operations and financial condition of the Company.

(iv) Environmental and Employee Health and Safety Regulations

The Group's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and nonhazardous materials and wastes, and employee health and safety. The Group will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

(v) Reliance on License Renewal

Focus is dependent on its cultivation license issued by the Israeli MOH (the "License") and the need to maintain the License in good standing. Failure to comply with the requirements of the License or any failure to maintain the License would have a material adverse impact on the business, financial condition and operating results of Focus and the Company, which derives revenues from Focus. The license was renewed on December 13, 2018 and expires March 30, 2020. Although management believes it will meet the requirements of the Israeli MOH annually for extension of the License, there can be no guarantee that Israeli MOH will extend or renew the License or, if it is extended or renewed, that it will be extended or renewed on the same or similar terms.

Should Israeli MOH not extend or renew the License, or should it renew the License on different terms or not allow for anticipated capacity increases, the business, financial condition and results of the operations of the Focus will be materially adversely affected.

(vi) Dependence on Senior Management

The success of the Company is dependent upon the contributions of senior management. The loss of any of these individuals, or an inability to attract, retain and motivate sufficient members of qualified senior management personnel could adversely affect its business. This risk is partially mitigated by the fact that the senior management team are significant shareholders in the Company.

(vii) Competition in the Industry

There is potential that the Company will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than the Company. Because of the early stage of the industry in which IMC operates, the Company expects to face additional competition from new entrants. If the number of users of medical cannabis in Israel increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products and pricing strategies.

There is also the potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope. Increased competition by larger, better-financed competitors with geographic advantages could materially and adversely affect the business, financial condition and results of operations of the Company.

(viii) Risks Inherent in the Agricultural Business

The Company's business, specifically as it pertains to its relationship with Focus, involves the growing of medical cannabis, which is an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as pests, plant diseases and similar agricultural risks. Although Focus grows its products indoors under climate-controlled conditions, and carefully monitors the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products and results of operations of Focus.

(ix) Restrictions on Sales and Marketing

The industry is in its early development stage and restrictions on sales and marketing activities imposed by the Israeli MOH, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations may adversely affect the Company's ability to conduct sales and marketing activities and could have a material adverse effect on the Company's business, operating results or financial condition.

(x) Publicity or Consumer Perception

The Company believes the medical cannabis industry is highly dependent upon consumer perception regarding the safety, efficiency and quality of the medical cannabis produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical 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 favorable to the medical 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 favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for products bearing the Company's brand and the business, results of operations, financial condition and the Company's cash flows. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material

adverse effect on the Company, the demand for products bearing the Company's brand, and the business, results of operations, financial condition and cash flows of the Company.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical cannabis in general, or the Company's product specifically, or associating the consumption of medical cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

(xi) Reliance on Key Business Inputs

The Group's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations as well as electricity, water, and other utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs (e.g. rising energy costs) could materially impact the business, financial condition, and operating results of the Company. Any ability to secure required supplies and services or to do so on appropriate terms could also have a materially adverse opinion impact on the business, financial condition, and operating results of the Company. (xii) Sufficiency of Insurance

The Company maintains various types of insurance which may include product liability insurance (see "Potential Product Liability" below), errors and omission insurance, directors', trustees' insurance, property coverage, and, general commercial insurance. There is no assurance that claims will not exceed the limits of available coverage, that any insurer will remain solvent or willing to continue providing insurance coverage will sufficient limits or at a reasonable cost; or, that any insurer will not dispute coverage of certain claims due to ambiguities in the policies. A judgment against any member of the Company in excess of available coverage could have a material adverse effect of the Company in terms of damages awarded and the impact and reputation of the Company.

(xiii) Potential Product Liability

As IMC derives a significant portion of its revenues from Focus, which is a manufacturer of products designed to be ingested or inhaled by humans. Focus products bearing the Company's brand face an inherent risk of exposure to product liability claims, regulatory action and litigation if such products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of Focus products bearing the Company's brand involve the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination, unauthorized use by consumers or other third parties. Previously unknown adverse reactions resulting from human consumption of Focus products bearing the Company's brand alone or in combination with other medications or substances could occur.

The Company may be subject to various product liability claims, including, among others, that products bearing IMC's brand caused injury, illness or loss, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Company.

There can be no assurances that the Company 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 products bearing the Company's brand.

(xiv) Potential General Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company become involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the Company's common shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources.

(xv) Potential Product Recalls

Manufacturers and 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 labeling disclosure. If products bearing IMC's brand are recalled due to an alleged product defect or for any other reason, IMC could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall.

IMC 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 Company has detailed procedures in place for testing finished 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. Additional if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any one of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of IMC's operations by Israeli MOH or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

(xvi) Management of Growth

The Company may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. If the Company is unable to deal with this growth, that may have a material adverse effect on the Company's business, financial condition, results of operation and prospects.

Company Outlook

The Company, through the License Agreement and Services Agreement, continues to expand brand recognition, to supply the growing medical market in Israel with products bearing IMC's brand. Additionally, the government is discussing the possibility of exporting cannabis and changing the pricing method from fixed price to various price, which could increase the Company's revenues.

Critical Accounting Estimates

The Company's significant accounting policies under IFRS are contained in the Statements (refer to Note 2 to the Annual Financial Statements and to the Interim Financial Statements). Certain of these policies involve critical accounting estimates as they require management to make particularly subjective or complex judgments, estimates and assumptions about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

New standards, interpretations and amendments

The following new accounting standards applied or adopted during the year ended December 31, 2018 had no material impact on the condensed interim consolidated financial statements:

IFRS 16 – Leases ["IFRS 16"]

In January 2016, the IASB issued IFRS 16, Leases (the "New Standard"). According to the New Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

The principal changes of the new Standard are as follows:

- According to the new Standard, lessees are required to recognize all leases in the statement of financial position (excluding certain exceptions, see below). Lessees will recognize a liability for lease payments with a corresponding right-of-use asset, similar to the accounting treatment for finance leases under the existing standard, IAS 17, "Leases". Lessees will also recognize interest expense and depreciation expense separately.

- Variable lease payments that are not dependent on changes in the Consumer Price Index ("CPI") or interest rates but are based on performance or use are recognized as an expense by the lessees as incurred and recognized as income by the lessors as earned.

- In the event of change in variable lease payments that are CPI-linked, lessees are required to remeasure the lease liability and record the effect of the remeasurement as an adjustment to the carrying amount of the right-of-use asset.

- The Standard includes two exceptions which allow lessees to account for leases based on the existing accounting treatment for operating leases - leases for which the underlying asset is of low financial value and short-term leases (up to one year)**.**

- The accounting treatment by lessors remains substantially unchanged from the existing standard, namely classification of a lease as a finance lease or an operating lease.

The new Standard is effective for annual periods beginning on or after January 1, 2019.
The new Standard permits lessees to use one of the following approaches:

1. Full retrospective approach - according to this approach, a right-of-use asset and the corresponding liability will be presented in the statement of financial position as if they had always been measured according to the provisions of the new Standard. Accordingly, the effect of the adoption of the new Standard at the beginning of the earliest period presented will be recorded in equity.

Also, the Company will restate the comparative data in its financial statements. Under this approach, the balance of the liability as of the date of initial application of the new Standard will be calculated using the interest rate implicit in the lease, unless this rate cannot be easily determined in which case the lessee's incremental borrowing rate of interest on the commencement date of the lease will be used.

2. Modified retrospective approach - this approach does not require restatement of comparative data. The balance of the liability as of the date of initial application of the new Standard will be calculated using the lessee's incremental borrowing rate of interest on the date of initial application of the new Standard. As for the measurement of the right-of-use asset, the Company may choose, on a lease-by-lease basis, to apply one of the two following alternatives:
   - Recognize an asset in an amount equal to the lease liability, with certain adjustments.
   - Recognize an asset as if the new Standard had always been applied.

   Any difference arising on the date of first-time application of the new Standard as a result of applying the modified retrospective approach will be recorded in equity.

   The Company has evaluated the impact of IFRS 16 on the Company's financial statements applying the modified retrospective approach upon the initial adoption of the new Standard, whereby the right-of-use asset will be measured at an amount equal to the lease liability.

   The Company believes, based on an assessment of the impact of the adoption of the new Standard, that its application will result in an increase in both assets (right-of use asset) and lease liabilities in the amount of approximately $777.

IFRIC 23 Uncertainty over Income Tax Treatments

In September 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments (the "Interpretation"). The Interpretation clarifies the accounting for recognition and measurement of assets or liabilities in accordance with the provisions of IAS 12, Income Taxes, in situations of uncertainty involving income taxes. The Interpretation provides guidance on considering whether some tax treatments should be considered collectively, examination by the tax authorities, measurement of the effects of uncertainty involving income taxes on the financial statements and accounting for changes in facts and circumstances in respect of the uncertainty.

The Interpretation is to be applied in financial statements for annual periods beginning on January 1, 2019. Early adoption is permitted.

The Company does not expect the Interpretation to have any material effect on the financial statements.

Subsequent Events

In connection with the November 6, 2018, definitive agreement, Navasota Resources Inc. ("Navasota") and IMC completed the Reverse Takeover Transaction.

On August 29, 2019, Navasota and IMC announced the completion of a private placement offering of 19,048,326 subscription receipts (each a "Subscription Receipt") of a wholly owned subsidiary of Navasota ("Finco") at a price of $1.05 per Subscription Receipt for aggregate gross proceeds of $20,400 (the "Financing"). Upon the satisfaction or waiver of, among other things, all of the condition precedents to the completion of the Proposed Transaction, each Subscription Receipt was exchanged for one unit of Finco (a "Finco Unit") with each Finco Unit being comprised of one (1) common share of Finco (a "Finco Share") and one-half (1/2) of one (1) common share purchase warrant of Finco (a "Finco Warrant"). Each whole Finco Warrant was exercisable for one Finco Share at an exercise price of $1.30 for a period of 24 months following the closing of the Proposed Transaction. Upon closing of the Proposed Transaction, the Finco Shares and Finco Warrants were exchanged for post-Consolidation Resulting Issuer shares and Resulting Issuer warrants on economically equivalent terms on a 1:1 basis.

On October 11, 2019, subsequent to the reporting period, the Company completed the Reverse Takeover Transaction of Navasota by the shareholders of the Company. Following the completion of the Reverse Takeover Transaction, the holders of IMC ordinary shares hold approximately 84.52% of the issued and outstanding Resulting Issuer shares, holders of Subscription Receipts hold approximately 13.11% of the Resulting Issuer and former Navasota shareholders hold 2.38% of the Resulting Issuer, in each case, on a non-diluted basis.

Procedures and Internal Control over Financial Reporting

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable IFRS. Internal control over financial reporting should include those policies and procedures that establish the following:

- Maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of assets;
- Reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable IFRS;
- Receipts and expenditures are only being made in accordance with authorizations of management or the Board of Directors; and
- Reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial instruments.

The Company's management, with the participation of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), assessed the effectiveness of the Company's internal controls over financial reporting and concluded that as at September 30, 2019, the Company's internal control over financial reporting was effective.

During the nine months ended September 30, 2019, the Company did not make any significant changes to its internal controls over financial reporting that would have materially affected, or reasonably likely to materially affect, its internal controls over financial reporting.

Limitations of Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Company's management, including the CEO and CFO, believe that due to inherent limitations, any disclosure controls and procedures or internal control over financial reporting, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that any design will not succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Additionally, management is required to use judgment in evaluating controls and procedures.

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