



DECIBEL CANNABIS COMPANY INC.

**Annual Information Form
For the Year Ended December 31, 2020**

Dated August 20, 2021

TABLE OF CONTENTS

	Page
GLOSSARY OF TERMS.....	1
NOTE REGARDING FORWARD-LOOKING STATEMENTS AND MARKET DATA.....	2
CORPORATE STRUCTURE	3
GENERAL DEVELOPMENT OF THE BUSINESS.....	4
DESCRIPTION OF THE BUSINESS.....	7
RISK FACTORS	10
DIVIDENDS AND DISTRIBUTIONS.....	24
DESCRIPTION OF CAPITAL STRUCTURE	25
MARKET FOR SECURITIES	25
DIRECTORS AND EXECUTIVE OFFICERS.....	26
LEGAL PROCEEDINGS AND REGULATORY ACTIONS	28
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....	28
TRANSFER AGENT AND REGISTRAR.....	28
MATERIAL CONTRACTS.....	29
AUDIT COMMITTEE INFORMATION	29
INTERESTS OF EXPERTS.....	31
ADDITIONAL INFORMATION.....	31
SCHEDULE "A" AUDIT COMMITTEE CHARTER	

GLOSSARY OF TERMS

"**ABCA**" means the *Business Corporations Act* (Alberta);

"**AGLC**" means the Alberta Gaming, Liquor and Cannabis Commission;

"**AIF**" means this annual information form;

"**Cannabis Act**" means the *Cannabis Act* (Canada);

"**Cannabis Regulations**" means the *Cannabis Regulations* (Canada);

"**Common Shares**" or "**Shares**" means common shares in the capital of Decibel;

"**Decibel**" or the "**Company**" means Decibel Cannabis Company Inc. and all of its direct and indirect wholly-owned subsidiaries;

"**Decibel Board**" or "**Board**" means the board of directors of Decibel; and

"**TSX-V**" means the TSX-Venture Exchange;

Words importing the singular number also include the plural and vice versa and words importing any gender include all genders. All dollar amounts set forth in this Annual Information Form are in Canadian dollars, except where otherwise indicated.

NOTE REGARDING FORWARD-LOOKING STATEMENTS AND MARKET DATA

This AIF contains certain information that may constitute forward-looking information and forward-looking statements as such terms are defined under applicable Canadian securities laws (collectively, the "**Forward-Looking Statements**"), which are based on management's current internal expectations, estimates, projections, assumptions and beliefs. Forward-Looking Statements can be identified by the use of forward-looking terminology such as "expect", "plan", "likely", "may", "will", "should", "intend", "anticipate", "potential", "proposed", "estimate", "intend", "believe", and other similar words, and variations thereof. The Forward-Looking Statements may include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance and other statements that are not statements of fact, and include, but are not limited to, statements with respect to:

- expectations described in the Company's critical accounting judgements, estimates and assumptions;
- the Company's expectations regarding the adoption and impact of certain accounting pronouncements;
- the Company's expectations regarding future development, costs and operation of the Company's extraction and manufacturing facility The Plant the Thunderchild Cultivation Facility, and the Creston Facility (each as defined herein);
- the Company's expectations regarding future development, operation, and licensing of the Company's retail locations;
- the Company's expectations regarding maintaining licensing related to the cultivation, production and sale of cannabis and cannabis products by the Company, its subsidiaries, affiliates and partnerships;
- the ability to operate as a vertically integrated entity;
- the Company's expectations of product sales and its ability to maintain wholesale, provincial and retail customers;
- future corporate development;
- competitive conditions in the cannabis sector;
- the scope of protection the Company is able to establish to protect its intellectual property rights;
- expectations regarding future expenditures, including but not limited to both operational and capital expenditures;
- the Company's interpretation and future expectations of municipal, provincial, and federal regulations;
- the Company's expectation for the use of proceeds received from fund raising activities;
- The Company's ability to ensure that it has sufficient funds to meet obligations as they become due;
- the Company's ability to access debt financing; and
- the Company's impact assessment of COVID-19 and its ability to evolve with changes in wholesaler purchasing habits.

The Company has made certain assumptions with respect to the Forward-Looking Statements regarding, among other things:

- the Company's ability to generate sufficient cash flow from operations and obtain financing, if needed, on acceptable terms or at all;
- general economic, financial market, regulatory and political conditions in which the Company operates; the expected yield from the Company's cultivation operations;
- the ability of the Company to ship its products and maintain supply chain stability;
- consumer interest in the Company's products; anticipated and unanticipated costs;
- government regulation of the Company's activities and products;
- the timely receipt of any required regulatory approvals;
- the Company's ability to obtain qualified staff, equipment and services in a timely and cost efficient manner;
- the Company's ability to conduct operations in a safe, efficient and effective manner; and
- the Company's construction plans and timeframe for completion of such plans.

The actual results or performance of the Company could differ materially from those anticipated in the Forward-Looking Statements as a result of the risk factors set forth below and under the heading "*Risk Factors*", including, but not limited to, risks related to:

- the duration and severity of impact of the COVID-19 pandemic;
- continued or further volatility in and/or degradation of general economic, market, industry or business conditions related to the COVID-19 pandemic or otherwise;
- changes in applicable legislation and regulatory requirements;
- product liability;
- recalls;
- competition from the legal and illicit markets;
- uninsured and uninsurable events;
- reliance on third party transportation;
- non-guaranteed contracts with provincial governments;
- cyber security and privacy;
- future levels of revenues;
- consumer demand for cannabis products;
- the Company's ability to manage disruptions in the financial markets or obtain credit, if needed;
- future levels of capital;
- expected expenditures;
- the success or timing of completion of ongoing or anticipated capital projects;
- the adequacy of the Company's capital resources and liquidity, including availability of sufficient cash flow to execute the Company's business plan (either within the expected timeframe or at all);
- the potential effects of judicial or other proceedings on the Company's business, financial condition, results of operations and cash flows;
- reliance on key inputs;
- constraints on marketing products;
- compliance with applicable regulations;
- potential actions of third parties; and
- other factors beyond the Company's control.

Readers are cautioned that these factors are difficult to predict and that the assumptions used in developing the Forward-Looking Statements may prove to be incorrect. Readers are also cautioned that the list of risk factors contained in this AIF is not exhaustive. Accordingly, readers are cautioned that the Company's actual results may vary from the Forward-Looking Statements, and the variations may be material.

Although the Company believes that the expectations reflected in the Forward-Looking Statements are reasonable, it can give no assurance that such expectations will prove to be correct, and the Forward-Looking Statements are expressly qualified in their entirety by this cautionary statement. The purpose of the Forward-Looking Statements is to provide the reader with a description of management's expectations, and the Forward-Looking Statements may not be appropriate for any other purpose. You should not place undue reliance on the Forward-Looking Statements. The Forward-Looking Statements are made as at the date hereof and the Company undertakes no obligation to update or revise any of the Forward-Looking Statements, whether as a result of new information, future events or otherwise, except as required by applicable Canadian securities laws.

This AIF may contain market and industry data and forecasts obtained from third-party sources, industry publications and publicly available information. Third-party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such information. Although management believes it to be reliable, the Company has not independently verified any of the data from third-party sources referred to in this AIF, or analyzed or verified the underlying studies or surveys relied upon or referred to by such sources.

CORPORATE STRUCTURE

Name, Address and Incorporation

We Grow BC Ltd. ("**We Grow**") was incorporated on November 12, 2013, under the provisions of the *Business Corporations Act* (British Columbia). On December 20, 2019, We Grow completed a Plan of Arrangement (the

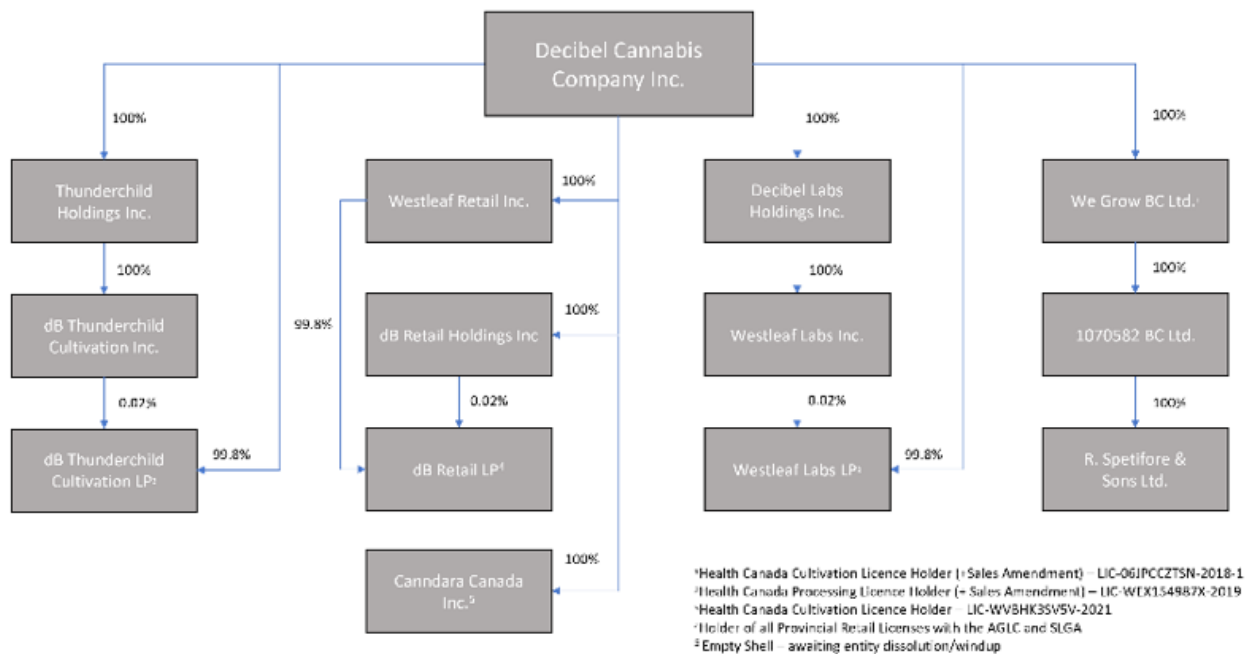
"Arrangement") that constituted a reverse takeover of Westleaf Inc. ("**Westleaf**"). Upon closing the Arrangement, Westleaf continued to be a corporation under ABCA and We Grow became a wholly-owned subsidiary of Westleaf.

On March 1, 2020, pursuant to a series of internal reorganization transactions, Westleaf amalgamated with a wholly-owned subsidiary which resulted in the name of the Company changing to "Decibel Cannabis Company Inc."

The Company's head office is located at 1440, 140-4th Avenue SW, Calgary, Alberta, T2P 3N3 and its registered office is located at 2400, 525 8th Ave. SW, Calgary, Alberta T2P 1G1. The Company is a reporting issuer in all provinces of Canada except Québec.

Intercorporate Relationships

The following diagram describes the inter-corporate relationships among Decibel and each of its material subsidiaries as of the date hereof, as well as the percentage of votes attaching to the outstanding voting securities of each subsidiary and the jurisdiction of incorporation, continuance or formation of each subsidiary, as applicable.



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

2018

On March 22, 2018, Westleaf completed a private placement of 7,999,999 units, consisting of one pre-consolidation common share of Westleaf ("**Westleaf Shares**") and one Westleaf Share purchase warrant, at a price of \$0.075 per unit for gross proceeds of \$600,000.

On April 19, 2018, the Westleaf entered into a term loan with ATB Financial (formerly Alberta Treasury Branches) ("**ATB**") for \$7.5 million.

On May 1, 2018, a subsidiary of Westleaf completed the purchase of an existing building and land in Calgary, Alberta, Canada, for a brownfield retrofit for The Plant (as defined herein). The total purchase price was \$6.9 million plus an additional \$37,000 in closing costs.

On July 23, 2018, a subsidiary of Westleaf entered into a strategic relationship with the Thunderchild First Nation whereby Thunderchild Developments Inc., an affiliate of the Thunderchild First Nations, made an \$8 million investment in Westleaf. In connection therewith, Delbert Wapass, the former chief of the Thunderchild First Nation, was appointed to the board of directors of Westleaf. Westleaf and the Thunderchild First Nation commenced the development the Thunderchild Cultivation Facility (as defined herein) on lands owned by the Thunderchild First Nation located near Battleford, Saskatchewan.

On September 7, 2018, a subsidiary of Westleaf entered into a commitment letter with ATB providing for certain credit facilities, including: (i) a \$12 million non-revolving committed term facility to finance the development of Phase I of the Thunderchild Cultivation Facility, and (ii) an additional facility in the principal amount of up to \$11.25 million, to be used for Phase II of the Thunderchild Cultivation Facility, but made available at ATB's discretion.

On September 28, 2018, Westleaf completed a non-brokered private placement for 5,485,000 Westleaf Shares at \$0.50 per Westleaf Share for gross proceeds of approximately \$2.7 million.

On October 2, 2018, Westleaf completed a non-brokered private placement with Universal Botanicals Inc., a subsidiary of VIVO Cannabis Inc., for 5,882,353 units, consisting of one Westleaf Share and one-half of one Westleaf Share purchase warrant, at \$0.85 per unit for gross proceeds of approximately \$5 million.

On December 20, 2018, Westleaf entered into a definitive agreement to acquire a 21.4% interest in Canndara Canada Inc. ("**Canndara**") for \$7.5 million. Westleaf also acquired an option by the shareholders of Canndara to purchase the remaining shares of Canndara at a pre-determined value of \$48.4 million in an all share transaction.

On December 28, 2018, Westleaf completed a reverse takeover of IGC Resources Inc.

2019

On January 31, 2019, Westleaf completed the acquisition of all the issued and outstanding common shares of Canndara (not already owned by Westleaf), for an aggregate purchase price of \$48.4 million (the "**Canndara Acquisition**"). The purchase price for the Canndara Acquisition was satisfied by the issuance to the former Canndara shareholders of an aggregate of 21,614,407 Westleaf Shares at a deemed value of \$2.24 per Westleaf Share. On closing of the Canndara Acquisition, Westleaf also issued an aggregate of 1,080,720 Westleaf Shares to Inform Management Group Inc., at a deemed price of \$2.24 per Westleaf Share, in satisfaction of a finder's fee in respect of the Canndara Acquisition.

On April 10, 2019, Westleaf announced that it had entered into an agreement with a syndicate of underwriters led by Canaccord Genuity Corp. (the "**Underwriters**"), pursuant to which the Underwriters agreed to purchase, on a bought deal basis pursuant to the filing of a short form prospectus in all provinces of Canada except Quebec, an aggregate of 12,000 debenture units at a price of \$1,000 per debenture unit for aggregate gross proceeds to Westleaf of \$12,000,000.

On April 15, 2019, Westleaf Labs Inc., as borrower, and Westleaf Labs LP, as beneficial owner (and guarantor), entered into an amended and restated commitment letter with ATB providing for: (i) a non-revolving committed term loan facility in the initial principal amount of \$4.3 million, (ii) a new equipment finance term loan facility in the principal amount of up to \$2.24 million, and (iii) up to an aggregate of \$3.2 million in additional credit facilities upon the satisfactions of certain conditions (collectively, the "**ATB Credit Facilities**").

On December 20, 2019, We Grow completed the Arrangement pursuant to the terms of an arrangement agreement dated November 7, 2019, between Westleaf and We Grow. The Arrangement constituted a reverse takeover of Westleaf by We Grow. See "*Corporate Structure – Name, Address and Incorporation*".

On December 20, 2019, in connection with the Arrangement, the Company assumed and amended the ATB Credit Facilities resulting in an additional \$4.7 million of borrowed capital.

2020

On January 14, 2020, 190 kg of product grown at the Creston Facility that was placed on hold during the regulatory review process was lifted, and the cannabis material was subsequently allocated for either immediate sale or for further processing into pre-roll products.

On January 24, 2020, Scott Hurd resigned as President of the Company.

On January 29, 2020, Decibel's wholly owned subsidiary, dB Thunderchild Cultivation LP, received a cultivation license from Health Canada to grow, harvest, trim and store cannabis, becoming a licensed producer.

On March 1, 2020, pursuant to a series of internal reorganization transactions, the Company amalgamated with a wholly-owned subsidiary which resulted in the name of the Company changing to "Decibel Cannabis Company Inc.". See "*Corporate Structure – Name, Address and Incorporation*".

On April 27, 2020, the Company announced that one of its subsidiaries received a license from the AGLC for its second Prairie Records branded retail store in Alberta.

On April 27, 2020, the Company announced that Taylor Ethans resigned from his position as Chief Financial Officer of the Company and Stuart Boucher was appointed as Interim Chief Financial Officer of the Company effective May 4, 2020.

In March 2020, the Company launched Blendcraft by Qwest, the Company's introduction of premium blended pre-rolls into the Canadian market space.

On May 22, 2020, the Company and ATB entered into an amending agreement to, among other things, reduce the borrowing base and amend the tested financial covenants and certain licensing milestones under the ATB Credit Facilities.

On June 23, 2020, the Company announced that it would grant, effective June 24, 2020, an aggregate of 16,752,103 options to acquire Common Shares to certain directors, officers and employees of the Company in accordance with the Company's stock option plan at a price of \$0.09 per Common Share.

On July 13, 2020, the Company's wholly owned subsidiary, Westleaf Labs LP, received a sales amendment from Health Canada for the ability to manufacture and sell dried cannabis, cannabis extracts, and edible cannabis as finished cannabis products to provincial wholesalers and retailers at The Plant.

On August 28, 2020, the Company announced that it appointed Dr. Ivan Casselman (Ph.D., FLS) as a senior advisor to the Company.

On October 22, 2020, the Company announced the launch of the Company's Blendcraft by Qwest concentrates and General Admission vapes.

On November 25, 2020, the Company announced that Benjamin Sze was taking an indefinite leave of absence from his role as Chief Executive Officer of the Company, and that Cody Church was appointed as Interim Chief Executive Officer of the Company and Billy Yellowhead and Ivan Casselman were appointed as directors of the Company.

On December 30, 2020, Stuart Boucher was appointed as the Chief Financial Officer of the Company.

On December 31, 2020, the Company entered into a commitment letter (the "**Original Commitment Letter**") with Connect First Credit Union Ltd. ("**Connect First**") in respect of \$30 million of debt capital. The debt capital is comprised of \$28.5 million of term debt and a \$1.5 million authorized overdraft against government receivables. The Company proceeds were used to fully repay the ATB Credit Facilities (\$26.8 million) and to provide additional working capital.

Recent Developments

On January 29, 2021, the Company announced that its wholly-owned subsidiary, dB Thunderchild Cultivation LP, was granted a cultivation license from Health Canada for the Thunderchild Cultivation Facility.

On January 29, 2021, the Decibel Board was reconstituted to enable receipt of the cultivation license for the Thunderchild Cultivation Facility by limiting the Decibel Board to those individuals who had previously received Health Canada security clearance. Effective January 29, 2021, Benjamin Sze, Dr. Ivan Casselman, and Billy Yellowhead resigned from their positions as directors of the Company. Dr. Ivan Casselman and Billy Yellowhead transitioned into advisory roles as they progressed through Health Canada security clearance.

On April 20, 2021, Kris Newell was appointed as the Chief Operating Officer of Decibel.

On May 13, 2021, Decibel amended and restated the Original Commitment Letter by entering into an amended and restated commitment letter (the "**Commitment Letter**") with Connect First to, among other things, provide an additional \$6.0 million on its authorized overdraft (the "**Authorized Overdraft**").

On June 23, 2021, Paul Wilson was appointed as the Chief Executive Officer of Decibel.

On July 7, 2021, Decibel announced that it entered into a strategic partnership with Union Cannabis Group ("**UCG**") to allow Decibel to acquire the exclusive right to produce UCG's unique product formulations for its existing brands, as well as, to manufacture and distribute UCG's branded products under the Dabstract brand.

Impact and Response to the COVID-19 Pandemic

In 2020 and the first quarter of 2021, the global economy has been in a state of upheaval as a result of the COVID-19 pandemic, which has had, and is expected to continue to have, an unprecedented impact. The severity of the pandemic and the mid-to-long term effects on the economic system cannot yet be determined but are expected to continue to be deep and wide-spread. The extent and the impact of the COVID-19 pandemic will depend on developments beyond the Company's control, including actions taken by governments, financial institutions, monetary policy authorities, and public health authorities to contain and respond to public health concerns and general economic conditions as a result of the pandemic. Decibel cannot be certain of the potential effects any such actions may have on the business or operation and financial results for the fiscal year ending December 30, 2021. See "*Risk Factors – Impact of Pandemics*". Decibel has followed all public health and safety guidelines to mitigate the impact of the COVID-19 virus. In addition to staff medical briefings and increased sanitization at Decibel's facilities and other work areas, all non-essential face to face meetings have been curtailed, and all non-essential travel has been stopped. Decibel will continue to actively monitor the impact of the COVID-19 pandemic, with a focus on the health and safety of its employees, business continuity and the support of its communities. Decibel will continue to operate in the same manner it has done and will continue to adapt to the various legislative responses implemented both at the provincial and federal levels of government. Decibel has experienced minimal disruption to its production and supply chain. Decibel has experienced some disruption to the various provincial wholesaler purchasing habits and will continue to use various technologies, while adapting certain strategies to evolve with such changes in wholesaler purchasing habits.

DESCRIPTION OF THE BUSINESS

Overview

Decibel is a vertically integrated cannabis company focused on premium products. The three main components of the Company's business are:

- cannabis cultivation, processing, and sale of cannabis flower products;
- extraction, processing, and manufacturing of a variety of cannabis derivative products; and
- cannabis retail.

Cannabis Cultivation

Decibel has a Health Canada licensed 26,000 square foot cultivation, processing and distribution facility consisting of 14,000 square feet of dedicated grow areas and 12,000 square feet of production support areas located in Creston, British Columbia (the "**Creston Facility**"). The Company received a licence to grow, harvest, trim and store medical cannabis from Health Canada (the "**Licence**"), becoming a licensed producer on August 25, 2017. On October 16, 2018, Health Canada approved an amendment to the Licence to allow the Company to, in addition to growing, harvesting, trimming and storing cannabis, also sell or provide dried cannabis, fresh cannabis, cannabis plants and cannabis seed.

The Company has a second cannabis production facility with 80,000 square feet of indoor cultivation, packaging and processing space, located in Battleford, Saskatchewan (the "**Thunderchild Cultivation Facility**"). On January 29, 2020, Decibel's wholly owned subsidiary, dB Thunderchild Cultivation LP, received a cultivation license from Health Canada to grow, harvest, trim and store cannabis, becoming a licensed producer.

The principal products produced and sold by the Company are ultra-premium cannabis flower and cannabis pre-rolls, and, on occasion, bulk amounts of cannabis biomass to other licensed producers in Canada (collectively, the "**Cannabis Products**").

The Company has entered into supply agreements with the AGLC, the Ontario Cannabis Retail Association, the British Columbia Liquor Distribution Board, the Manitoba Liquor & Lotteries Corporation, and has also agreed to supply Cannabis Products to the Prince Edward Island Cannabis Management Corporation. The Company is registered as a cannabis supplier in Saskatchewan and ships to more than a dozen retail outlets in the province.

Decibel has three dried cannabis brands, two positioned as ultra-premium brands, Qwest, and Qwest Reserve, and one positioned as a core-segment brand, Blendcraft by Qwest.

Extraction and Manufacturing of Cannabis Derivative Products

Decibel has a large-scale cannabis extraction, processing, and manufacturing facility in Calgary, Alberta ("**The Plant**"). The Plant is a 60,000 square foot facility with 15,000 square feet of Health Canada licensed space. On July 13, 2020, the Company received a sales amendment from Health Canada for the ability to manufacture and sell dried cannabis, cannabis extracts, and edible cannabis as finished cannabis products to provincial wholesalers and retailers.

Decibel engages in processing, manufacturing, and packaging activities at The Plant. Currently, the Company sells vape pens and cannabis extracts (also known as concentrates) from The Plant.

Decibel has four cannabis derivative product brands, two positioned as ultra-premium brands, Qwest, and Qwest Reserve, one positioned as a core-segment brand, Blendcraft by Qwest, and one positioned as a value-segment brand, General Admission.

Retail Locations and Operations

Decibel has a portfolio of retail locations across Western Canada. As at December 31, 2020, Decibel had six Prairie Records cannabis retail stores in operation. Decibel has three operational retail locations in Saskatchewan, with two Prairie Records retail stores located in Saskatoon and one in Warman, as well as an e-commerce cannabis platform throughout the Province of Saskatchewan. Decibel has three operational Prairie Record retail store locations in Alberta, with two stores located in Calgary and one in Edmonton.

Decibel has created a high quality, immersive retail store design to differentiate itself from competitors and attract consumers. As a part of the broader strategy, Decibel is targeting privatized cannabis retail provinces to build a

nationally recognized retail brand to maximize its share of the Canadian cannabis market. With a significant retail distribution footprint across Canada, Decibel can ensure product distribution for its cultivation and production operations and build consumer awareness for its product brands.

Decibel's Prairie Records concept leverages the instinctual tie of recreational cannabis to music to create a modern high-end design agnostic to consumers' music preferences. The stores are designed to increase consumer engagement, product education, and help match products to consumers' desired experiences.

Specialized Skill and Knowledge

The ability of Decibel to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to the raw products, supplies and skilled labour it requires to develop or grow its product. While the nature of growing cannabis is not substantially different from the nature of growing other agricultural products, knowledge with respect to cultivating and growing cannabis is important in the cannabis industry. Variables such as temperature, humidity, lighting, air flow, watering and feeding cycles are defined and controlled to produce consistent product and to avoid contamination. The product is cut, sorted and dried under defined conditions that are established to protect the activity and purity of the product. The post-processing of the Company's cannabis into dried flower, pre-rolls, oils, edibles and concentrates involves specialized skill and knowledge with respect to, among other things, procurement, manufacturing, automation, assembly line optimization, packaging and labeling. Once processing is complete, each batch is subject to full testing against stringent quality specifications set for, among other things, activity and purity.

Staff with suitable horticultural and quality assurance expertise are available in the jurisdictions in which the Company operates. In addition, in order to ensure compliance with the Cannabis Act and any directives issued by Health Canada, which include strict security measures, equipment required to manage production, HVAC systems, odour control systems and laboratory equipment to monitor and test product quality, the Company must employ a number of regulatory personnel to assist the Company to remain compliant with the complex and rapidly evolving regulations applicable to the industry. The Company has successfully recruited the necessary personnel with these skill sets.

Competitive Conditions

As of the date hereof, Health Canada has issued a large number of licenses to cannabis license holders, and there are also a number of unlicensed cannabis growers in the black market that continue to compete with the legal market. On May 8, 2019, Health Canada introduced changes to the cannabis licensing process, which now require that new license applicants have a fully built site that meets all the requirements under the Cannabis Regulations at the time of their application. The Company believes that this requirement, in addition to the extensive regulatory restrictions imposed on the industry, and large amounts of financing needed for operations, will result in a relatively small number of cannabis license holders that can compete in Canada on a large-scale in the near future. However, as the demand for cannabis and cannabis products increases, the Company believes new competitors will enter the market, and these competitors may have greater financial resources, a broader customer base, or greater access to capital than the Company, which could materially adversely affect the Company. The Company intends to seek to differentiate itself from its competitors by the quality of its products and the variety of its product offerings.

Intangible Properties

The Company believes that the ownership and protection of its intellectual property rights represents a significant component of its future success. The Company relies on trade secrets, technical know-how and proprietary information in operating its business, and it protects its intellectual property by, among other things, seeking and obtaining registered protection where possible, developing and implementing standard operating procedures to protect trade secrets, technical know-how and proprietary information, and entering into agreements with parties that have access to the Company's inventions, trade secrets, technical know-how and proprietary information, such as the Company's partners, collaborators, employees and consultants, to protect confidentiality and ownership. The Company also seeks to preserve the integrity and confidentiality of its inventions, trade secrets, trademarks, technical know-how and proprietary information by maintaining security of its premises and information technology systems. Decibel relies on certain third-parties to maintain and actively monitor the status of its intellectual property registrations, including defending any third-party infringements related thereto.

Employees

As at December 31, 2020, the Company had approximately 171 employees.

Reorganizations

On December 20, 2019, We Grow completed the Arrangement which constituted a reverse takeover of Westleaf. See "*Corporate Structure – Name, Address and Incorporation*".

On March 1, 2020, pursuant to a series of internal reorganization transactions, Westleaf amalgamated with a wholly-owned subsidiary which resulted in the name of the Company changing to "Decibel Cannabis Company Inc.". See "*Corporate Structure – Name, Address and Incorporation*".

RISK FACTORS

There are various risk factors that could cause the Company's future results to differ materially from those described in this AIF. The risks and uncertainties described below are those the Company currently believes to be material, but they are not the only ones the Company faces. If any of the following risks, or any other risks and uncertainties that the Company has not yet identified or that it currently considers not to be material, actually occur or become material risks, the Company's business, financial condition, results of operations and cash flows, and consequently the price of the Shares, could be materially and adversely affected. The risks discussed below also include Forward-Looking Statements and the Company's actual results may differ substantially from those discussed in the Forward-Looking Statements. See "*Note Regarding Forward-Looking Statements and Market Data*".

Risks Related to the Company's Business and Industry

Impact of Pandemics

Pandemics, epidemics, or outbreaks of an infectious disease in Canada or worldwide, including COVID-19, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu or any other similar illnesses could have an adverse impact on the Company's results, business, financial condition, or liquidity.

On March 11, 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. The COVID-19 pandemic has negatively impacted the Canadian, U.S., and global economies; disrupted Canadian, U.S., and global supply chains; disrupted financial markets; contributed to a decrease in interest rates; resulted in ratings downgrades, credit deterioration and defaults in many industries; forced the closure of many businesses, led to loss of revenues, increased unemployment and bankruptcies; and necessitated the imposition of quarantines, physical distancing, business closures, travel restrictions, and sheltering-in-place requirements in Canada, the U.S., and other countries. If the pandemic is prolonged, including through subsequent waves, or if additional variants of COVID-19 emerge which are more transmissible or cause more severe disease, or if other diseases emerge with similar effects, the adverse impact on the economy could worsen. Moreover, it remains uncertain how the macroeconomic environment, and societal and business norms will be impacted following this COVID-19 pandemic. Unexpected developments in financial markets, regulatory environments, or consumer behaviour may also have adverse impacts on the Company's results, business, financial condition, or liquidity, for a substantial period of time.

The Company's business, financial condition, results of operations, cash flows, reputation, access to capital, cost of borrowing, access to liquidity, and/or business plans may, in particular, and without limitation, be adversely impacted as a result of the pandemic and/or decline in commodity prices as a result of:

- the shut-down of facilities or the delay or suspension of work on major capital projects due to workforce disruption or labour shortages caused by workers becoming infected with COVID-19, or government or health authority mandated restrictions on travel by workers or closure of facilities or worksites;
- suppliers and third-party vendors experiencing similar workforce disruption or being ordered to cease operations;

- reduced cash flows resulting in less funds from operations being available to fund capital expenditure budgets;
- counterparties being unable to fulfill their contractual obligations on a timely basis or at all; and
- the ability to obtain additional capital including, but not limited to, debt and equity financing being adversely impacted as a result of unpredictable financial markets and/or a change in market fundamentals.

The COVID-19 pandemic has also created additional operational risks for the Company, including the need to provide enhanced safety measures for its employees and customers; comply with rapidly changing regulatory guidance; address the risk of, attempted fraudulent activity and cybersecurity threat behaviour; and protect the integrity and functionality of the Company's systems, networks, and data as a larger number of employees work remotely. The Company is also exposed to human capital risks due to issues related to health and safety matters, and other environmental stressors as a result of measures implemented in response to the COVID-19 pandemic, as well as the potential for a significant proportion of the Company's employees, including key executives, to be unable to work effectively, because of illness, quarantines, sheltering-in-place arrangements, government actions or other restrictions in connection with the pandemic.

The extent to which the COVID-19 pandemic continues to impact the Company's results, business, financial condition, or liquidity will depend on future developments in Canada, the U.S. and globally, including the development and widespread availability of efficient and accurate testing options, and effective treatment options or vaccines. Despite the approval of certain vaccines by the regulatory bodies in Canada and the U.S., the ongoing evolution of the development and distribution of an effective vaccine also continues to raise uncertainty.

Reliance on Licenses

Decibel's ability to continue its business of growth, production, manufacturing, storage and distribution of Cannabis Products is dependent on maintaining existing and future Cannabis Act licences ("**Licences**") and adherence to all regulatory requirements related to such licensing. Failure to comply with the requirements of the Licences or any failure to maintain the Licences may have a material adverse impact on Decibel's business, financial condition and results of operations. Although Decibel believes it will meet the requirements for future extensions or renewals of the Licences, there can be no guarantee that a new Licences will be granted, extended or renewed as necessary or, if extended or renewed, that the Licences will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the Licences or should it renew the Licences on different terms, Decibel's business, financial condition and results of operations may be materially adversely affected.

Regulatory Risks

Decibel operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may occur and Decibel may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements. Decibel's business is subject to the Cannabis Act and Cannabis Regulations. Decibel's ability to produce cannabis and cannabis derivative products from the Thunderchild Cultivation Facility, the Creston Facility and The Plant to the public in Canada is dependent on its ability to maintain the applicable licence(s) pursuant to the Cannabis Tracking and Licensing System (CTLS) and any provincial and municipal authorities for retail sales and maintaining such licence(s) in good standing. Failure to: (i) comply with the requirements of the applicable licence(s) to allow for sale of recreational cannabis products to the public; and (ii) maintain these licence(s) in good standing would have a material adverse impact on the business, financial condition and operating results of Decibel.

Decibel will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions of Decibel's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Decibel's operations, increased compliance costs or may give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of Decibel. The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond Decibel's control and which cannot be predicted, including changes to government regulations. Changes in government levies and taxes could reduce Decibel's earnings and could make future capital investments or Decibel's operations uneconomic. The

recreational cannabis industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

In addition to being subject to general business risks and to risks inherent in the nature of an early stage business in a regulated industry, Decibel will need to continue to build brand awareness through significant investment in strategy, production capacity and quality assurance. Decibel's brand and products may not be effectively promoted as intended. The recreational cannabis industry is marked by competitive conditions, consumer tastes and unique circumstances, and spending patterns that differ from existing markets.

In addition to regulation regarding the production and sale of cannabis, Decibel is also subject to health, safety and environmental regulations with which it is required to comply. See the section below titled "*Environmental Regulations and Risks*" for more information on environmental regulations.

The provincial legislative and operational framework pertaining to the distribution of cannabis varies among provinces and territories and could result in additional provincial and territorial regulations, creating additional compliance and other costs and/or limitations on Decibel's ability to participate in such markets. There is no guarantee that provincial legislation regulating the distribution and sale of cannabis for adult-use purposes will be enacted according to all the terms announced by such provinces, or at all, or that any such legislation, if enacted, will create the growth opportunities that Decibel currently anticipates. While the impact of any new legislative framework for the regulation of the Canadian adult-use cannabis market is uncertain, any of the foregoing could result in a material adverse effect on Decibel's business, financial condition, and results of operation. The asymmetrical regulatory and market environment for cannabis in each of the provinces and territories could materially and adversely affect the business, financial condition, and results of operations of Decibel.

The governments of every Canadian province and territory have, to varying degrees, announced regulatory regimes for the distribution and sale of cannabis for adult-use purposes within those jurisdictions as more fully described immediately below. The provincial regimes governing adult-use cannabis is uncertain.

Competition

The Canadian recreational cannabis industry is competitive in all of its phases. Decibel will face strong competition from other companies. Many of these companies have greater financial resources, operational experience and technical capabilities than Decibel. As a result of this competition, Decibel may be unable to maintain its operations or develop them as currently proposed, on terms it considers acceptable or at all. Consequently, the revenues, operations and financial condition of Decibel could be materially adversely affected. The number of licences granted to sell recreational cannabis could have an impact on the operations of Decibel. Because of the early stage of the industry in which Decibel operates, Decibel may face additional competition from new entrants. If the number of users of recreational cannabis in Canada is high, the demand for products will increase and Decibel expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, Decibel will require a continued high level of investment in research and development, marketing, sales and client support. Decibel 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 Decibel. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of Decibel.

Availability of Financing

Decibel has limited financial resources and there is no assurance that additional funding will be available to Decibel for further operations or to fulfill its obligations under current agreements. There is no assurance that Decibel can generate sufficient revenues to operate profitably, or provide a return on investment, or that it will successfully implement its plans.

The ability of Decibel to arrange financing in the future will depend in part upon prevailing capital market conditions, as well as upon the business success of Decibel and the success of cannabis usage in general. There can be no assurance

that Decibel will be successful in its efforts to arrange additional financing, or that such financing will be available on terms satisfactory to Decibel. If additional financing is raised by the issuance of shares or other forms of convertible securities from the treasury, control of Decibel may change and shareholders may suffer additional dilution. Similarly, future acquisitions may be funded in part by equity of a proposed acquisition target as may be determined by the directors from time to time. Any such arrangement could have a dilutive effect on the interest of shareholders of Decibel.

If adequate funds are not available, or are not available on acceptable terms, Decibel may not be able to take advantage of opportunities, or otherwise respond to competitive pressures and remain in business.

Illicit Supply of Cannabis

In addition to competition from cannabis license holders and those able to produce cannabis legally without a license, the Company also faces competition from unlicensed and unregulated market participants, including illegal dispensaries and black-market suppliers selling cannabis and cannabis-based products in Canada. Despite the legalization of cannabis in Canada, black market operations remain and are a substantial competitor to the Company's business. In addition, illegal dispensaries and black-market participants may: (i) offer products with higher concentrations of active ingredients that are either expressly prohibited or impracticable to produce under current Canadian regulations, (ii) use marketing and branding strategies that are restricted under the Cannabis Act, and (iii) make claims not permissible under the Cannabis Act and other regulatory regimes. As these illicit market participants do not comply with the regulations governing the legal cannabis industry in Canada, their operations may also have significantly lower costs. Any unwillingness by consumers currently utilizing unlicensed distribution channels to begin purchasing under the legal regime for any reason, or any inability or unwillingness of law enforcement authorities to enforce laws prohibiting the unlicensed cultivation and sale of cannabis and cannabis-based products, could result in the perpetuation of the black market for cannabis and adversely affect the Company's market share, which could have a materially adverse effect on the Company's business, operations and financial condition.

Attracting Customers

Decibel's cash flow and desired revenue is dependent on its ability to attract customers. A high level of marketing to achieve initial sales of Decibel's product in the market will be imperative to realize adequate cash flow; however, as Decibel is a young company, it may not be able to attract enough customers to allow it to achieve its cash flow breakeven point. In addition, the Company is exposed to certain industry specific risks to the extent and effectiveness of its advertising such as legal restrictions on advertising for cannabis, and negative public perception of cannabis consumption, which can effect consumer base and desire of third parties to do business with the Company. Refer to "*Consumer Perception of the Recreational Cannabis Market*".

Product Obsolescence

Rapidly changing markets, technology, emerging industry standards and frequent introduction of new products characterize the Company's business. The introduction of new products embodying new technologies, including new manufacturing processes, and the emergence of new industry standards may render the Company's products obsolete, less competitive or less marketable. The process of developing the Company's products is complex and requires significant continuing costs, development efforts and third party commitments. The Company's failure to develop new technologies and products and the obsolescence of existing technologies could adversely affect the business, financial condition and operating results of the Company. The Company may be unable to anticipate changes in its potential customer requirements that could make the Company's existing technology obsolete. The Company's success will depend, in part, on its ability to continue to enhance its existing technologies, develop new technology that addresses the increasing sophistication and varied needs of the market, and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. The Company may not be successful in developing or using new technologies, exploiting its niche markets effectively, or adapting its business to evolving customer or medical preferences or emerging industry standards.

Inventory Shelf Life

The Company holds finished goods in inventory and this inventory has a limited shelf life. Although management regularly reviews inventory on-hand and its remaining shelf life, and estimates the time required to manufacture and sell such inventory, write-down of inventory may still be required. Any such write-down of inventory could have a material adverse effect on the Company's business, financial condition, and results of operations.

Product Liability

There is inherent risk of exposure to product liability claims in its future operations as a distributor and producer of products designed to be ingested by humans. Regulatory actions or litigation may result if its products are alleged to have caused loss or injury. In addition, the future sale of Decibel's products may involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of its products alone or in combination with other substances or medications could occur. The Company may be subject to various product liability claims, including but not limited to, that the Company's products caused illness or injury, 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, adverse affects on its reputation with its clients and consumers generally and could have a material adverse effect on the results of operations and financial condition of the Company. There can be no guarantee that the Company will be able to maintain product liability insurance with adequate coverage against potential liabilities on reasonable terms. There can be no assurance of availability of this insurance in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage at commercial terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of some or all of the Company's potential products.

Marketing Constraints

The Company's intended operations and future operating results may be hindered by the applicable regulations which restrict the sales and marketing activities of the Company and the cannabis industry. These regulations may limit the Company's ability to compete for market share if it is unable to effectively market its products. If the Company is unable to effectively market its products its intended operations and future operating results may be affected adversely.

Product Recalls and Returns

Manufacturers and distributors of products are sometimes subject to the recall or return of the products they produce or sell 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. Should any of the Company's products be subject to a recall due to an alleged product defect or for any other reason, the Company could be forced to incur the expense of the recall and any legal proceedings that may arise in connection with the recall. The Company may be unable to sell a significant amount of its inventory or lose a significant amount of sales and may not be able to replace those sales at an acceptable margin, or at all. A product recall may require significant management attention in addition to the financial costs. Although the Company has detailed procedures in place for testing its products, there can be no guarantee that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's brands were subject to a recall, the customer perception of that brand and the Company as a whole could be harmed. A recall for any reason 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 the Company's operations by regulatory agencies including Health Canada and require further management attention, increased legal fees and other expenses.

Results of Future Research

Clinical trials, observational studies, and basic research in Canada, the U.S., and internationally regarding the medical benefits, viability, safety, efficacy, dosing, and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC), remain in early stages. There have been relatively few clinical trials or observational studies on the benefits of cannabis or isolated cannabinoids. Although the Company believes that published articles, reports, and studies

support the Company's beliefs regarding the medical benefits, viability, safety, efficacy, dosing, and social acceptance of cannabis, future clinical trials, observational studies, and basic research may prove such statements to be incorrect or could raise concerns regarding cannabis and perceptions relating to cannabis. Given these risks, uncertainties and assumptions, investors and prospective investors should not place undue reliance on such articles, reports, and studies. Future research studies and clinical trials may draw opposing conclusions to those originally anticipated or reach negative conclusions regarding the benefits, viability, safety, efficacy, dosing, social acceptance, or other facts and perceptions related to cannabis, which could have a material adverse effect on the Company's business, financial condition, and results of operations.

Reliance on a Small Number of Facilities

The Company has one operational cultivation facility and one operational extraction & processing facility. Subsequent to December 31, 2020, the Company received a cultivation license for a second cultivation facility and has begun operations. Decibel intends to continue its focus on developing these projects for the foreseeable future. Adverse changes affecting the development of these projects could have a material and adverse effect on the Company's ability to begin producing cannabis and/or derivative cannabis products.

Reliance on Third Party Suppliers, Manufacturers and Contractors

In addition to its own proposed vertically integrated structure, the Company intends to use third-party suppliers, manufacturers and contractors in the provision of products and services. Should one or more of these third-parties choose to discontinue a business relationship or withdraw its services from the Company due to regulatory reasons or otherwise, the Company and its future operations may suffer adverse effects.

Reliance on Management

Decibel is highly dependent on the ability, expertise, judgement, discretion and good faith of its senior management team as well as other senior employees within the Company. The Company's future success depends on its ability to retain these key personnel as well as to attract, develop and retain highly qualified and skilled employees. There is significant demand for qualified individuals and as a result the Company may incur significant costs to attract and retain them. See "*Description of the Business – Specialized Skill and Knowledge*".

As part of the Company's Health Canada application, each key person at the Company must receive security clearance from Health Canada. There is no guarantee that existing personnel will receive security clearance. Under Health Canada regulations, a security clearance remains in effect for a maximum of five years and must be renewed before expiration. There is no guarantee that existing personnel will receive security clearance upon the required renewal in this period. Failure by a key person to gain or maintain the required security clearance could result in a material adverse effect on the Company.

Limited Operating History

Decibel is an early-stage company in terms of operational history and therefore is subject to many of the risks common to early-stage companies, including undercapitalization, cash shortages, lack of revenues and limited resources, including personnel and financial. Decibel has incurred operating losses in recent periods. In addition, Decibel expects to continue to increase operating expenses as it implements initiatives to grow its business. If Decibel's revenues do not increase to offset these expected increases in costs and operating expenses, Decibel will not be profitable. There is no guarantee that the Company will achieve a return on shareholders investment and the likelihood of success must be considered given the early-stage nature of the development of operations.

History of Losses

The Company has incurred losses in recent periods. The Company may not be able to attain profitability and may continue to incur significant losses in the future. The Company plans to increase expenses materially in the future to implement its business plan. If the Company does not achieve high enough revenues to offset this higher cost base it will not be profitable.

Limitations on Forecasting

Decibel must rely mainly on its own market research to forecast sales and expenses as detailed forecasts are generally not available from reputable sources at this early stage of the cannabis industry in Canada. If demand does not materialize for its products as a result of competition, technological change, regulatory change or other factors this could have an adverse material effect on the Company.

Changes in Laws, Regulations and Guidelines

The laws, regulations and guidelines generally applicable to the cannabis industry domestically and internationally may change in ways currently unforeseen by the Company. The Company's operations are subject to the Cannabis Act and various other laws, regulations and guidelines relating to the marketing, acquisition, manufacture, packaging/labelling, management, transportation, storage, sale and disposal of medical and adult-use cannabis, as well as laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. While, to the knowledge of the Company's management, the Company is currently in material compliance with all such laws, changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to its operations and financial condition.

There is no guarantee that the existing federal, provincial and territorial legislation regulating the cultivation, distribution and sale of adult-use cannabis in Canada will not be amended or repealed and new legislation may come into force that may not provide for or may restrict the growth opportunities that are currently anticipated. While the impact of any new legislative framework for the regulation of adult-use cannabis in Canada is uncertain, any of the foregoing could result in a material adverse effect on the Company's business, financial condition and results of operations.

On January 4, 2018, then United States Attorney General Jeff Sessions issued a memorandum to U.S. district attorneys which rescinded previous guidance from the U.S. Department of Justice specific to cannabis enforcement in the United States, including the August 2013 memorandum authored by then Deputy Attorney General James Cole (the "**Cole Memorandum**") indicating that the U.S. Department of Justice would not prioritize the prosecution of cannabis-related violations of U.S. federal law in jurisdictions that had enacted laws legalizing cannabis in some form and that had also implemented strong and effective regulatory and enforcement systems. With the Cole Memorandum rescinded, U.S. federal prosecutors can exercise their discretion in determining whether to prosecute cannabis-related violations of U.S. federal law. While the Company does not engage in any U.S. cannabis-related activities, the market price of the Shares may be affected by regulatory changes and developments in the United States that affect the cannabis industry generally.

Information Technology Systems and Cyber-Security

The Company relies heavily on information technology, such as computer hardware and software systems, in order to properly operate its business. In the event the Company is unable to regularly deploy software and hardware, effectively upgrade systems and network infrastructure, and take other steps to maintain or improve the efficiency and efficacy of systems, the operation of such systems could be interrupted or result in the loss, corruption, or release of data, compromise confidential customer or employee information, result in the disruption of business, theft or extortion of funds, regulatory infractions, loss of competitive advantage and reputational damage. In addition, information systems could be damaged or interrupted by natural disasters, force majeure events, telecommunications failures, power loss, acts of war or terrorism, computer viruses, malicious code, physical or electronic security breaches, intentional or inadvertent user misuse or error, or similar events or disruptions. Any of these or other events could cause interruptions, delays, loss of critical and/or sensitive data or similar effects, which could have a material adverse impact on the protection of intellectual property, and confidential and proprietary information, and on the Company's business, financial condition, results of operations and cash flows.

In the ordinary course of business, the Company collects, uses and stores sensitive data, including intellectual property, proprietary business information and personal information of the Company's employees and third parties. Despite the Company's security measures, its information systems, technology and infrastructure may be vulnerable to attacks by hackers and/or cyberterrorists or breaches due to employee error, malfeasance or other disruptions. Any such breach

could compromise information used or stored on the Company's systems and/or networks and, as a result, the information could be accessed, publicly disclosed, lost or stolen.

To date the Company has not experienced any material losses relating to cyber-attacks or other information security breaches. However, there can be no assurance that the Company will not incur such losses in the future. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties or other negative consequences, including disruption to the Company's operations and damage to its reputation, which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. Although the Company maintains a risk management program, which includes an insurance component that may provide coverage for the operational impacts from an attack to, or breach of, the Company's information technology and infrastructure, including process control systems, the Company does not currently maintain stand-alone cyber insurance, however, an insurance application for cyber insurance is currently in progress. Furthermore, not all cyber risks are insurable. As a result, the Company's existing insurance may not provide adequate coverage for losses stemming from a cyber-attack to, or breach of, its information technology and infrastructure.

Consumer Perception of the Recreational Cannabis Market

Decibel believes the recreational cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the recreational cannabis distributed to such consumers. Consumer perception of Decibel's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of recreational 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 recreational 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 Decibel's products and the business, results of operations, financial condition and cash flows of Decibel. Decibel'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 Decibel, the demand for Decibel's products, and the business, results of operations, financial condition and cash flows of Decibel. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of recreational cannabis in general, or Decibel's products specifically, or associating the consumption of recreational 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.

Reliance on Suppliers and Skilled Labour

The ability of Decibel to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to the raw products, supplies and skilled labour it requires to develop or grow its product. No assurances can be given that Decibel will be successful in maintaining its required supply of skilled labour and raw products.

Environmental Regulations and Risks

The Company's current and future operations are subject to the environmental regulations of the jurisdictions in which it operates. These regulations mandate the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of waste, both solid and hazardous. Environmental regulations are evolving, generally becoming more stringent and requiring a greater level of responsibility from companies and their officers, directors and employees. Future regulations or changes to regulations may have material adverse effects on the Company and its current and future operations. The development of certain operations of the business rely upon the receipt of permits or government approvals. To the extent such approvals are required and not obtained, the Company may not be able to develop certain operations as they are currently proposed. If the Company fails to comply with applicable laws, regulations and permitting requirements it may result in enforcement actions against the Company, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed. These orders may include corrective measures requiring installation of additional

equipment or remedial actions which could cause the Company to incur additional capital expenditures or other expenses.

Amendments to current laws, regulations, and permits governing the production and sale of cannabis, or more stringent implementation thereof, could have a material adverse affect on the Company by way of increased expenses, capital expenditures or production costs or a reduction in levels of production or revenue or the requirement of abandoning or delaying development.

Risks Related to the Agricultural Business

The Company's operations include cultivation of cannabis, an agricultural product. This operation will be subject to the inherent risks of agricultural business, including insects, pests, plant disease, climate change, mould, equipment failure and other similar agricultural risks. While the Company's cultivation is indoors under climate-controlled conditions and additional provisions intended to reduce these risks, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

Compliance with Debt Restrictions

The Company may be subject to credit risk related to financial and non-financial covenant restrictions on debt financing. Non-compliance with these covenants may cause the Company's debt to be due on demand, affect the Company's short-term liquidity, and cause uncertainty on the Company's ability to continue as a going concern. These covenants may also place restrictions on the Company's ability to seek further debt financing, which may have further effects on the Company's ability to manage its short-term liquidity.

Additional Financing - Risk Factors Related to Dilution

The Company may issue additional Common Shares in the future. Future issuances or sales of equity securities could dilute shareholders' ownership and voting power. The issuance of equity securities could also reduce Decibel's earnings per share and value of the Common Shares. The Company is permitted by its articles to issue an unlimited number of Common Shares and an unlimited number of preferred shares subject to approval of the Board and, in the event of any such issuance, shareholders will have no pre-emptive rights associated with the issuance.

Expansion of Facilities

Any expansion of Decibel's facilities is subject to various potential problems and uncertainties and may be delayed or adversely affected by a number of factors beyond Decibel's control. These uncertainties include the failure to obtain regulatory approvals, permits, delays in the delivery or installation of equipment by suppliers, difficulties in integrating new equipment with existing facilities, shortages in materials or labor, defects in design or construction, diversion of management resources, and insufficient funding or other resource constraints. The actual cost of construction may exceed the amount budgeted for expansion. As the result of construction delays, cost overruns, changes in market circumstances or other factors, Decibel may not be able to achieve the intended economic benefits from the expansion of operations, which in turn may affect Decibel's business, prospects, financial condition and results of operations.

Security Risks

Given the nature of the Company's product and its lack of legal availability outside of channels approved by the Canadian federal government, as well as the concentration of inventory in its facilities, despite meeting or exceeding Health Canada's security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of the Company's facilities could expose the Company to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches, and may deter potential patients and consumers from choosing the Company's products.

Third Party Transportation

In order for Decibel to distribute its products, Decibel must depend on third party transportation services. This can cause logistical problems and delays in shipment of its orders and cannot be directly controlled by Decibel. Any delay by third party transportation services may adversely affect Decibel's financial performance.

Moreover, security of the product during transportation to and from locations to which Decibel delivers retail products is critical due to the nature of the product. A breach of security during transport could have material adverse effects on Decibel's business, financials, and prospects. Any such breach, could impact Decibel's ability to continue operating under its Licence or the prospect of renewing its Licence.

Intellectual Property Risks

Decibel has certain proprietary intellectual property, including but not limited to trademarks, trade names, brands, patents, trade secrets and proprietary processes. Decibel will rely on this intellectual property as well as the know-how of its employees and other proprietary information, and require certain employees, consultants, suppliers and counterparties to sign confidentiality agreements. In the event of a breach of these confidentiality agreements the Company may not have adequate remedies for such breaches. Outside parties may develop substantially equivalent proprietary information independently without infringing upon any proprietary technology or information. Additionally, outside parties may otherwise gain access to the Company's proprietary information and make use of it in a competitive manner. Any loss of intellectual property, through the avenues listed above or otherwise, may affect the Company in a materially adverse manner.

Ability to Successfully Execute Strategies

If Decibel fails to execute any element of its strategy in a timely and effective manner, competitors may be able to seize marketing opportunities that Decibel has identified. Decibel's business strategy will require that it successfully and simultaneously complete many tasks. In order to be successful, Decibel must: (i) attract and retain customers; (ii) hire, train and retain quality employees; and (iii) evolve Decibel's business to gain advantages in a competitive environment.

Seasonality of the Business

Decibel's sales may be subject to quarterly and seasonal variations that may cause significant fluctuations in operating results.

Vulnerability to Rising Energy Costs

Decibel's cannabis growing operations consume considerable energy, making Decibel vulnerable to rising energy costs. Rising or volatile energy costs may adversely affect the ability of Decibel to operate profitably.

Risks Inherent in the Acquisition of Companies, Assets and Brands

Decibel may from time to time elect to pursue strategic acquisitions to acquire technologies, brands, businesses, assets or intellectual property which it believes are complementary to its business and/or enter into strategic partnerships in order to leverage its position in the cannabis industry. While Decibel intends to conduct substantial due diligence in connection with such acquisitions, there are risks inherent in any acquisition. Specifically, there could be unknown or undisclosed risks or liabilities associated with such companies which Decibel is not sufficiently indemnified. Any such unknown or undisclosed risks or liabilities could materially and adversely affect Decibel's financial performance and results of operations.

Future acquisitions may expose the Company to potential risks, including risks associated with: (i) the integration of new operations, personnel and services; (ii) unforeseen or hidden liabilities; (iii) potential inability to generate sufficient revenue to offset new costs; (iv) the diversion of resources from the Company's existing business and technologies; (v) the expenses of acquisitions; or (vi) the potential loss of or harm to relationships with both employees

and existing users resulting from its integration of new security which could misappropriate proprietary information or cause interruptions in its operations. Decibel may be required to increase its capital expenditures and other resources to protect against such security breaches or to alleviate problems caused by such breaches.

Variable Revenues and Earnings

The revenues and earnings of the Company may fluctuate from quarter to quarter, which could affect the market price of the Shares. Revenues and earnings may vary quarter to quarter due to a number of factors, including: the timing of releases of new products; the timing of sales orders or deliveries; activities of the Company's competitors; possible delays in the production or shipment of products; concentration in the Company's customer base; possible delays or shortages in critical inputs; or transition periods associated with the migration to new production methods. Any of the foregoing factors could cause significant variations to the Company's revenues, gross margin, and earnings in any given quarter.

Risks Related to Product Development

In attempting to keep pace with new market developments, the Company may need to expend significant amounts of capital in order to successfully develop and generate revenue from new products. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of such product development and regulatory approval processes, may have a material adverse effect on the Company's business, financial condition and results of operations.

Service Providers

As a result of any adverse change to the approach in enforcement of United States cannabis laws, adverse regulatory or political change, additional scrutiny by regulatory authorities, adverse change in public perception in respect of the consumption of marijuana or otherwise, third party service providers to the Company could suspend or withdraw their services, which may have a material adverse effect on the Company's business, revenue, operating results, financial condition or prospects.

Insurance and Uninsured Risks

Decibel is subject to a variety of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in personal injury or death, delays in operations, monetary losses, environmental damage, damage to assets and possible legal liability.

Decibel maintains and intends to maintain insurance to protect against certain risks in such amounts which it considers to be reasonable and at an economically feasible cost. Although it intends to maintain this insurance, it will not cover all potential risks associated with its actions and future operations. Insurance may not be available in the future or may not adequately cover any resulting liability. Insurance is not generally available against certain risks, including but not limited to environmental pollution and other hazards which may be encountered by Decibel from time to time and general limitations on crop, business interruption and other inclusions available to the cannabis industry, including general risks associated with insurers and new industries. The Company may become subject to liability for hazards which it is not insured against or which the Company may have elected not to insure against due to premium costs or other reasons. Losses related to these hazards may affect Decibel in a material and adverse manner.

Internal Controls

Effective internal controls are a necessity for Decibel to be able to provide reliable and accurate financial reports and to help safeguard against fraud. Although Decibel will undertake a number of procedures and will implement a number of preventative measures, in each case, in order to help ensure the reliability of its financial reports, Decibel cannot be sure that such measures will ensure Decibel will maintain adequate control over financial reporting and processes. Failure to implement newly required or improved controls, or difficulties or delays encountered in their implementation, could harm the Company's financial position or operating results or cause it to fail to meet its

reporting obligations. If Decibel or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce investor confidence in Decibel's consolidated financial statements and materially adversely affect the perceived value of Decibel or its ability to access capital markets.

Management of Growth

Decibel may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Decibel 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. The inability of Decibel to deal with this growth may have a material adverse effect on Decibel's consolidated business, financial condition, results of operations and prospects.

Corruption and Anti-Bribery Law Violation

The Company's business is subject to Canadian laws which generally prohibit companies and employees from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. In addition, the Company is subject to the anti-bribery laws of any other countries in which it conducts business now or in the future. The Company's employees or other agents may, without the Company's knowledge and despite its efforts, engage in prohibited conduct under the Company's policies and procedures and anti-bribery laws for which the Company may be held responsible. There can be no assurance that the Company's internal control policies and procedures will always protect it from recklessness, fraudulent behaviour, dishonesty or other inappropriate acts committed by its affiliates, employees, contractors or agents. If the Company's employees or other agents are found to have engaged in such practices, the Company could suffer severe penalties and other consequences that may have a material adverse effect on its business, financial condition and results of operations.

Government Supply Agreements and Other Customer Relationships

The Company expects to derive a significant portion of its future revenue from its supply contracts with various Canadian provinces and territories. There are many factors which could impact these contractual arrangements, including availability of supply, product selection and the popularity of the Company's products with retail customers. If any of the Company's supply agreements are amended, terminated or otherwise altered, the Company's sales and results of operations could be adversely affected, which could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, not all of the Company's supply contracts with the various Canadian provinces and territories contain purchase commitments or otherwise obligate the provincial or territorial wholesaler to buy a minimum or fixed volume of cannabis products from the Company. The amount of cannabis that the provincial or territorial wholesalers may purchase under the supply contracts may therefore vary from what the Company expects or has planned for. As a result, the Company's revenue could fluctuate materially in the future and could be materially and disproportionately impacted by the purchasing decisions of the provincial or territorial wholesalers. If any of the provincial or territorial wholesalers decide to purchase lower volumes of products from the Company than the Company expects, alters its purchasing patterns at any time with limited notice or decides not to continue to purchase Cannabis Products at all, the Company's revenue could be materially adversely affected, which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Potential Conflicts of Interest

Some of the directors or officers of Decibel are also directors and/or officers of other reporting and non-reporting issuers. As of the date of this MD&A, and to the knowledge of the directors and officers of Decibel, there are no existing conflicts of interest between Decibel and any of the directors or officers of Decibel. Additional situations may arise where the directors and/or officers of Decibel may be in competition with Decibel. Any conflicts will be subject to and governed by the law applicable to directors' and officers' conflicts of interest. In the event that such a conflict of interest arises at a meeting of Decibel's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of Decibel are required to act honestly, in good faith and in the best interests of Decibel.

Litigation

Decibel 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 Decibel becomes involved be determined against Decibel such a decision could adversely affect Decibel's ability to continue operating and the market price for the Common Shares and could use significant resources. Even if Decibel is involved in litigation and wins, litigation can redirect significant Decibel resources. Litigation may also create a negative perception of Decibel's brand. The Company is not aware of any legal disputes in which it is named, nor does it have any financial contingencies for litigation at this time. See "*Legal Proceedings and Regulatory Actions*".

Reputational Risks

The Company's reputation could be damaged due to the actual or perceived occurrence of any number of events. The increased usage of social media and other web-based tools to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for people to communicate and share opinions and views regarding the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its business, thereby having a material adverse impact on its financial performance and growth prospects.

Environmental and Employee Health and Safety Regulations

Decibel'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 non-hazardous materials and wastes, and employee health and safety. Decibel expects to 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 its 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 Decibel'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 Decibel.

U.S. Border Entry Issues

Since cannabis remains illegal under United States federal law, those employed at, or investing in, legal and licensed Canadian cannabis companies could face detention, denial of entry or lifetime bans from the United States. Entry happens at the sole discretion of the United States Customs and Border Protection officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The Federal Government has started warning travelers that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the U.S. In addition, business or financial involvement in the legal cannabis industry in Canada or in the United States could also be reason enough for U.S. border guards to deny entry. On September 21, 2018, U.S. Customs and Border Protection released a statement outlining its current position with respect to enforcement of the laws of the United States. It stated that Canada's legalization of cannabis will not change U.S. Customs and Border Protection enforcement of United States laws regarding controlled substances and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal cannabis industry in U.S. states where it is deemed legal or Canada may affect admissibility to the U.S. As a result, U.S. Customs and Border Protection has affirmed that, a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada, coming to the U.S. for reasons unrelated to the cannabis industry, will generally be admissible to the U.S. however, if a traveler is found to be coming to the U.S. for reasons related to the cannabis industry, they may be deemed inadmissible.

Employee Regulations

Decibel is exposed to the risk of employee fraud and other misconduct. Employee fraud includes intentional failure to comply with regulations, intentional failure to provide accurate information to regulatory authorities and intentional failure to comply with industry standards. Other misconduct includes failure to report financial information accurately, failure to disclose unauthorized activities to Decibel, and the improper use of information obtained in the course of employment. Employee misconduct resulting in legal action, significant fines or other sanctions could result in a material adverse effect to Decibel's consolidated business, results of operations or financial condition.

Global Economic and Financial Deterioration Impeding Access to Capital or Increasing the Cost of Capital

Market events and conditions, including disruption in the Canadian, U.S. and international financial markets and other financial systems and the deterioration of Canadian, U.S. and global economic and financial market conditions, could, among other things, impact exchange rates and impede access to capital or increase the cost of capital, which would have an adverse effect on Decibel's ability to fund its working capital and other capital requirements.

Interest Rate Risk

Decibel has entered into the Commitment Letter to fund certain projects. The Commitment Letter specifies a rate at which Decibel must pay interest to Connect First on funded amounts. This interest rate on the Authorized Overdraft facility is variable and as a result may rise or fall in accordance with the specified market rate. Decibel currently does not hedge this interest rate and may have more difficulty meeting its interest obligations if this interest rate were to increase.

Risks Related to Ownership of Shares

Unpredictable and Volatile Market Price

Companies in the cannabis sector continue to experience significant trading price and volume fluctuations that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Shares may decline or increase even if Decibel's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which might result in impairment loss. The market price for the Shares may be subject to significant volatility in response to numerous factors, many of which are beyond Decibel's control, including:

- actual or anticipated fluctuations in Decibel's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the cannabis sector;
- the addition or departure of executive officers, directors or other key personnel;
- the release or expiration of escrow or other transfer restrictions on outstanding Shares;
- sales or perceived sales of additional Shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving Decibel or its competitors;
- operating and share price performance of other companies that investors deem comparable to us;
- fluctuations in the cost of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and product price volatility; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in Decibel's industry.

There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, Decibel's operations could be adversely affected and the trading price of the Shares might be materially adversely affected.

Dividends

Any decision to declare and pay dividends in the future will be made at the discretion of the Board and will depend on, among other things, the Company's results of operations, current and anticipated cash requirements and surplus, financial condition, any future contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law, and other factors that the Board may deem relevant. As a result, investors may not receive any return on an investment in the Common Shares unless they sell their Common Shares for a price greater than that which such investors paid for them. Decibel has no earnings or dividend record and may not pay any dividends on its Common Shares in the foreseeable future. Dividends paid by Decibel could be subject to tax and, potentially, withholdings.

Future Share Sales by Existing Shareholders

Sales of a substantial number of Shares in the public market could occur at any time. These sales, or the market perception that the holders of a large number of Shares intend to sell their Shares, could reduce the market price of the Shares. This might result in a greater number of Shares being sold in the public market, and fewer long-term holds of Shares by management and employees.

Loss of Investment Risk

An investment in Decibel is speculative and may result in the loss of a substantial portion of an investment. Only potential investors who are experienced in high risk investments and who can afford to lose a substantial portion of their investment should consider an investment in Decibel.

No Guaranteed Return

There is no guarantee that an investment in Decibel will earn any positive return in the short-term or long-term.

Company Reporting Obligations

As a public entity, the Company is subject to the reporting requirements and related rules and regulations of the Canadian provincial securities regulators, as well as the rules of TSX-V (and any other stock exchange or quotation system on which the Company's securities may be listed from time to time). These requirements may place a strain on the Company's systems and resources. The applicable securities legislation requires that the Company file annual, quarterly and event-driven reports with respect to its business and financial condition and operations. The Company can provide no assurance that the procedures and processes adopted by it will be sufficient to allow it to satisfy its obligations as a public company on a timely basis. In addition, sustaining growth will also require that the Company commit additional management, operational and financial resources to identify new professionals to join the Company and to maintain appropriate operational and financial systems to adequately support expansion. These activities may divert management's attention from other business concerns, which could have a material adverse effect on the Company's business and financial condition. The Company expects to incur significant additional annual expenses related to these steps and, among other things, additional directors' and officers' liability insurance, director fees, reporting requirements of the applicable Canadian securities regulatory authorities and other regulators, transfer agent fees, hiring additional accounting, legal and administrative personnel, increased auditing and legal fees and similar expenses.

DIVIDENDS AND DISTRIBUTIONS

The Company does not currently intend to declare any dividends payable to the holders of the Shares. The Company has no restrictions on paying dividends, but if the Company generates earnings in the foreseeable future, it expects that they will be retained to finance growth. The Board will determine if and when dividends should be declared and paid in the future based upon the Company's financial position at the relevant time.

DESCRIPTION OF CAPITAL STRUCTURE

General

The authorized capital of the Company consists of an unlimited number of Common Shares and an unlimited number of preferred shares. As at the date hereof 351,937,345 Common Shares and no preferred shares were issued and outstanding.

The preferred shares are issuable in series and may contain the rights, privileges and restrictions as determined by the Board at the time of any issuance. With respect to the payment of dividends or the distribution of assets in the event of liquidation, dissolution, bankruptcy or winding-up of the Company, preferred shareholders are entitled to preference over the holders of Common Shares. Preferred shareholders are not entitled to receive notice of, attend, or vote at general meetings of the shareholders.

Each Common Share entitles the holder to receive notice of and to attend all meetings of the shareholders of the Company and to one vote at such meetings. The holders of Common Shares are entitled to receive any dividends declared by the Board on the Common Shares. The holders of Common Shares will be entitled to share equally in any distribution of the assets of the Company upon the liquidation, dissolution, bankruptcy or winding-up of the Company or other distribution of its assets among the shareholders for the purpose of winding-up its affairs.

MARKET FOR SECURITIES

Trading Price and Volume

The Shares of Decibel trade on the TSX-V under the ticker symbol "DB". The following table sets out the high and low prices and aggregate volume of Shares traded through the TSX-V on a monthly basis during the Company's most recently completed financial year ended December 31, 2020, as reported by the TSX-V for the periods indicated:

Month	High	Low	Volume Traded
January 2020	0.205	0.160	3,058,300
February 2020	0.165	0.090	2,664,200
March 2020	0.225	0.040	6,566,700
April 2020	0.080	0.060	2,698,100
May 2020	0.140	0.060	5,809,000
June 2020	0.110	0.085	2,788,500
July 2020	0.100	0.060	2,946,800
August 2020	0.105	0.075	2,950,000
September 2020	0.105	0.075	3,191,200
October 2020	0.090	0.070	3,641,500
November 2020	0.090	0.065	4,890,200
December 2020	0.075	0.060	6,988,300
January 2021	0.180	0.080	12,109,211
February 2021	0.195	0.150	10,910,566
March 2021	0.175	0.155	3,649,559
April 2021	0.190	0.160	5,638,233
May 2021	0.310	0.180	10,978,772
June 2021	0.350	0.280	7,093,357
July 2021	0.345	0.290	7,822,672

Prior Sales

The following table summarizes details of the following securities that are not listed or quoted on a marketplace issued by the Company during the year ended December 31, 2020.

Date of Issue	Type of Security Issued	Number of Securities Issued	Issue / Exercise Price per Security Issued⁽¹⁾
January 28, 2020	RSUs	28,500	n.a.
February 18, 2020	RSUs	50,000	n.a.
June 24, 2020	Options	16,648,001	\$0.09
August 30, 2020	Options	302,183	\$0.09

Note:

- (1) Represents the exercise price of Options

DIRECTORS AND EXECUTIVE OFFICERS

Name, Occupation and Security Holding

The following table sets out certain information regarding the directors and executive officers of the Company as at the date of this AIF. Each of the directors is elected to hold office until the next annual meeting of the shareholders of the Company or until a successor is duly elected or appointed.

Name Province/State Country of Residence and Position(s) with the Company	Periods during which Director has Served	Principal Occupation Business or Employment for Last Five Years
Cody Church ^{(1) (2)} Alberta, Canada Director	July 2019 to present	Interim Chief Executive Officer of Decibel (November 2020 to June 2021). Chief Executive Officer and President of Clear North Capital (January 2019 to present). Co-founder and Senior Managing Director of TriWest Capital Partners (September 1997 to December 2018).
Michael Kelly ⁽¹⁾⁽²⁾ Alberta, Canada Director	December 2019 to present	Director and Chairman of the Board, Enersoft Inc. (February 2019 to present). Executive Vice President and Chief Financial Officer, STEP Energy Services (October 2018 to present). Director, STEP Energy Services Ltd. (March 2017 to September 2018). President, Hogarth Ventures Ltd. (May 2017 to September 2018). Executive Vice President and Chief Financial Officer, PTW Energy Services Ltd. (February 2015 to April 2017).
Paul Wilson ⁽²⁾ Alberta, Canada Director Chief Executive Officer	December 2019 to present	Chief Executive Officer of Decibel (June 2021 to present). President, Cannabis Division of Alcanna Inc. (March 2018 to October 2018). Chief Executive Officer of Hold It All Inc. (March 2015 to February 2017). President of Spence Diamonds (September 2014 to May 2015).
Stuart Boucher Alberta, Canada Chief Financial Officer	N/A	Chief Financial Officer (December 2020 to present), Director of Corporate Development and Strategy (January 2019 to December 2020), Associate of Corporate Development of Decibel (April 2018 to January 2019) Investment Banking Analyst at Bank of Montreal (April 2017 to April 2018).
Adam Coates Alberta, Canada Chief Growth Officer	N/A	Chief Growth Officer (May 2020 to present), EVP Commercial of Decibel (March 2018 to May 2020). Chief Operating Officer of Modern Leaf Group (September 2017 to February 2018). Director of Sales and Marketing of Labatt Breweries of Canada (July 2010 to July 2017)

Name Province/State Country of Residence and Position(s) with the Company	Periods during which Director has Served	Principal Occupation Business or Employment for Last Five Years
Derek Sider Ontario, Canada Chief Commercial Officer	N/A	Chief Commercial Officer of Decibel (December 2020 to present). Chief Financial Officer of We Grow BC Ltd. (April 2018 to December 2020). Global Manager of Corporate Projects and Transactions at Eldorado Gold Corporation.
Gary Leong British Columbia, Canada Chief Compliance Officer	N/A	Chief Compliance Officer of Decibel (December 2020 to present). Chief Scientific Officer of Havn Life (September 2020 to present). Chief Compliance Officer of We Grow BC Ltd. (July 2018 to December 2020). Chief Scientific Officer of Aphria (June 2014 to August 2019).
Kris Newell Alberta, Canada Chief Operating Officer	N/A	Chief Operating Officer of Decibel (April 2021 to present). Director of Retail Development of Westleaf Retail Inc. (July 2018 to April 2021). Manger of Retail Operations of Popeye's Supplements Calgary (January 2011 to June 2018).

- (1) Member of the Audit Committee. Michael Kelly is the Chairman of the Audit Committee.
- (2) Member of the Compensation, Corporate Governance and Nominating Committee. Michael Kelly is the Chairman of the Compensation, Corporate Governance and Nominating Committee.

As at the date hereof, the directors and executive officers of Decibel, as a group, beneficially owned or controlled or directed, directly or indirectly, 7,174,076 Common Shares or approximately 2% of the outstanding Common Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Corporate Cease Trade Orders

To the knowledge of the management of the Company, none of the directors or executive officers is, or has been in the last ten (10) years, a director, chief executive officer or chief financial officer of an issuer (including the Company) that:

- (a) while that person was acting in that capacity, was the subject of a cease trade order or similar order, or an order that denied the issuer access to any exemptions under securities legislation, for a period of more than thirty (30) consecutive days; or
- (b) was, after that person ceased to be a director, chief executive officer or chief financial officer, the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation, for a period of more than thirty (30) consecutive days, and which resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer or chief financial officer.

Bankruptcies

Except as disclosed below, to the knowledge of the management of the Company, no director, executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, is, or within the ten (10) years prior to the date of this AIF was: (a) declared bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that person; or (b) was a director or executive officer of a corporation (including the Company) that while that person was acting

in that capacity or within a year of the person ceasing to act as a director or officer of the corporation became bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Church resigned as a director of Bellatrix Exploration Ltd. ("**Bellatrix**") on June 15, 2020. On October 2, 2019, the senior lenders of Bellatrix made an application to the Court of Queen's Bench of Alberta to appoint a receiver and manager over the assets, undertakings and property of Bellatrix under the *Bankruptcy and Insolvency Act* (Canada) and trading in the common shares of Bellatrix was suspended by the Toronto Stock Exchange.

Penalties and Sanctions

To the knowledge of management of the Company, no director or executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

The Company may from time to time become involved in transactions which conflict with the interests of the directors and the officers of the Company or the interest of these persons could conflict with those of the Company. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of the directors of the Company, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interest of the Company.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no material legal proceedings or regulatory actions that the Company is or was a party to, or that any of its property is or was the subject of, during the year ended December 31, 2020, and no such proceedings are known by the Company to be contemplated. From time to time, however, the Company may be subject to various claims and legal actions arising in the course of its business.

The Company is not aware of any settlement agreements, penalties or sanctions the Company has entered into before a court relating to securities legislation or with a securities regulatory authority or that would be material to a reasonable investor in making an investment decision.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed elsewhere in this AIF, no: (a) director or executive officer of the Company; (b) person or company who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Shares; or (c) any associate or affiliate of any of the foregoing, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company, other than an interest arising solely from the ownership of Shares where such person received no extra or special benefit or advantage not shared on a pro rata basis by all shareholders.

TRANSFER AGENT AND REGISTRAR

Odyssey Trust Company, at its Calgary, Alberta office, acts as the Company's transfer agent and registrar.

MATERIAL CONTRACTS

The Company is not party to any material contracts entered into by the Company within the most recently completed financial year, or before the most recently completed financial year but that are still in effect, other than in the ordinary course of business.

AUDIT COMMITTEE INFORMATION

The following disclosure is provided in accordance with National Instrument 52-110 – *Audit Committees* ("NI 52-110"). The Company is a venture issuer and relies on an exemption to provide the Audit Committee disclosure contained in this AIF as required by Form 52-110F2 - *Disclosure by Venture Issuers*.

The Audit Committee's Charter

The Board has adopted the Audit Committee Charter for the Audit Committee. The full text of the current Audit Committee Charter is disclosed in Schedule "A" attached hereto.

The Audit Committee is a committee of the Board established for the purpose of overseeing the accounting and financial reporting processes of Decibel and annual external audits of the financial statements. The Audit Committee has formally set out its responsibilities and compensation requirements in fulfilling its oversight in relation to Decibel's internal accounting standards and practices, financial information, accounting systems and procedures.

Composition of the Audit Committee

The current members of the Audit Committee, all of whom are financially literate (for the purposes of NI 52-110), are Michael Kelly (Chair), Paul Wilson and Cody Church. Cody Church and Michael Kelly are independent directors. Paul Wilson is the Chief Executive Officer of Decibel and, as a result, is not an independent director.

A member of the Audit Committee is independent if the member has no direct or indirect material relationship with the Company. A material relationship means a relationship which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.

A member of the Audit Committee is considered financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company.

Collectively, the Audit Committee has the education and experience to fulfill the responsibilities outlined in the Audit Committee Charter. The education and related experience of each of the Audit Committee members relevant to the performance of their responsibilities as members of the Audit Committee are set out below.

Relevant Education and Experience

Collectively, the Audit Committee has the education and experience to fulfill the responsibilities outlined in the Audit Committee Charter. The education and related experience of each of the Audit Committee members relevant to the performance of their responsibilities as members of the Audit Committee are set out below.

Michael Kelly, Director and Chair of Audit Committee

Mr. Kelly has extensive board experience having served on STEP Energy Services Ltd.'s board from April 2014 until October 2018 where he served as Audit Committee Chair and was a member of the Compensation and Corporate Governance Committee. Mr. Kelly is currently the Executive Vice President and Chief Financial Officer of STEP Energy Services Ltd., serves as Chair of Enersoft Inc., and sits on the board of Interra Ltd. He is a chartered accountant and a member of the Institute of Chartered Accountants of Alberta and is a certified director from the Institute of Corporate Directors.

Paul Wilson, Director

Mr. Wilson, the current Chief Executive Officer of the Company, was formerly the President, Cannabis Division of Alcanna Inc., the Chief Executive Officer of Hold It All Inc., the President of Princess Auto, President of Mark's Work Warehouse and a Senior Executive Officer at the Canadian Tire Corporation. Mr. Wilson has Senior Executive experience with omnichannel branding and commercial markets in consumer sectors of all sizes across a variety of categories. Mr. Wilson is a brand builder experienced in developing value through establishing genuine and true brand identities and their operations. Mr. Wilson holds a Bachelor of Commerce (honors) from the Laurentian University.

Mr. Cody Church

Mr. Church has more than twenty-five years of experience in the financial market and is currently the Chief Executive Officer and President of Clear North Capital where he is directly responsible for creating value through mid-market companies. Previously, Mr. Church co-founded TriWest Capital Partners in 1997 where he raised over \$1.25 billion in equity capital raises. Mr. Church has served on the public boards of Edgefront REIT and Source Energy Services, while serving as Chairman of privately held POI Business Solutions and Korite International, as well as Chairman of the Alberta Indigenous Opportunity Corp (AIOC) and Vice-Chairman of the University of Calgary. Mr. Church holds a Bachelor of Economics from Harvard University.

Each director has: (a) an understanding of the accounting principles used by Decibel to prepare its financial statements; (b) the ability to assess the general application of those principles in connection with the estimates, accruals and reserves; (c) experience in preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the issuer's financial statements, or experience actively supervising individuals engaged in such activities; and (d) an understanding of internal controls and procedures for financial reporting.

Audit Committee Oversight

Since the commencement of the Company's most recently completed financial year, the Board has not failed to adopt a recommendation of the Audit Committee to nominate or compensate an external auditor.

Reliance on Certain Exemptions

Decibel relies on Part 6 of NI 52-110 (Venture Issuers) as not all members of its Audit Committee have been or are independent and, effective as of the resignation of Billy Yellowhead on January 29, 2021 until Michael Kelly's resignation from his position as president of certain subsidiaries of the Company on April 20, 2021, relied on the NI 52-110 (Death, Disability or Resignation of Audit Committee Member) with respect to the independence of the members of its Audit Committee during such period. At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of NI 52-110 (De Minimis Non-audit Services), Section 3.2 of NI 52-110 (Initial Public Offerings), Section 3.4 of NI 52-110 (Events Outside Control of Member), or Section 3.6 of NI 52-110 (Temporary Exemption for Limited and Exceptional Circumstances), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110 (Exemptions) or in Section 3.8 of NI 52-110 (Acquisition of Financial Literacy).

Pre-Approval Policies and Procedures

The Audit Committee reviews the planning and results of external audit activities and the ongoing relationship with the external auditor including in relation to the engagement of any non-audit services.

External Auditor Fees

The aggregate fees paid by Decibel to the external auditors of Decibel for the last two financial years for audit and other fees are as follows:

Fiscal Year Ending	Audit Related				Total
	Audit Fees ⁽¹⁾	Fees ⁽²⁾	Tax Fees ⁽³⁾	All Other Fees ⁽⁴⁾	
December 31, 2020	\$329,537	\$Nil	\$192,827	\$1,094	\$523,458
December 31, 2019	\$515,711	\$29,772	\$94,356	\$52,483	\$692,322

Notes:

- (1) "Audit Fees" include (i) fees necessary to perform the annual audit and quarterly reviews of the Company's consolidated financial statements, (ii) fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements, and (iii) audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) "Audit-Related Fees" include services that are traditionally performed by the auditor.
- (3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions and requests for rulings or technical advice from tax authorities.
- (4) "All Other Fees" include all other non-audit services, which includes systems and organizational controls audit services and privacy regulation compliance services.

INTERESTS OF EXPERTS

KPMG LLP audited the financial statements of the Company for the financial years ended December 31, 2020 and 2019. None of the partners of KPMG LLP owned any Shares as at the date of the auditors' report on such audited financial statements or have acquired any Shares since such date.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is included in the Company's management information circular for its most recent annual meeting of shareholders of the Shares. Additional financial information is provided in the Company's audited financial statements and MD&A for the financial year ended December 31, 2020, which are also available under the Company's SEDAR profile.

SCHEDULE "A"
AUDIT COMMITTEE CHARTER

DECIBEL CANNABIS COMPANY INC.

(the "Corporation")

AUDIT COMMITTEE CHARTER

This charter governs the operations of the audit committee (the "**Committee**") of the Corporation. The Committee shall report to the board of directors (the "**Board**") of the Corporation.

Purpose

1. The primary function of the Committee is to assist the Board in fulfilling its responsibilities regarding the integrity of the Corporation's financial statements including the financial reporting process and systems of internal controls, the compliance by the Corporation with legal and regulatory requirements and the qualifications, performance and independence of the Corporation's external auditor by reviewing:
 - (a) the financial information that will be provided to the shareholders, regulatory authorities and others;
 - (b) the systems of internal controls management has established;
 - (c) all audit processes; and
 - (d) all reporting from the external auditors.
2. Primary responsibility for the financial reporting, information systems, risk management and internal controls of the Corporation is vested in management and is overseen by the Board. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. These are the responsibilities of management and the external auditor. Nor is it the duty of the Committee to conduct investigations, to resolve disagreements, if any, between management and the external auditor or to assure compliance with laws and regulations.

Composition and Operations

3. The Committee shall be composed of not fewer than three directors, a majority of whom shall not be officers, employees, consultants or control persons of the Corporation or any of its related legal entities.
4. The Committee shall review and reassess this Charter annually.
5. All Committee members shall be financially literate or shall become financially literate within a reasonable period of time after appointment to the Committee.
6. The Corporation's auditors shall be advised of the names of the Committee members and when appropriate will receive notice of and be invited to attend meetings of the Committee and to be heard at those meetings on matters relating to the auditor's duties.
7. The Committee shall meet with the external auditors as it deems appropriate to consider any matter that the Committee or auditors determine should be brought to the attention of the Board or shareholders.
8. The Committee shall meet at least four times each year.

9. The Committee shall have access to the Corporation's senior management and documents as required to fulfill its responsibilities and is provided with the resources necessary to carry out its responsibilities.
10. The Committee shall provide open avenues of communication among management, employees, external auditors and the Board.
11. The secretary to the Committee shall be the Corporate Secretary or an appointee of the Corporate Secretary.
12. Notice of the time and place of every meeting shall be given to each Committee member at least 48 hours prior to the meeting.
13. A majority of the voting membership of the Committee present in person or by telephone or other electronic telecommunication device shall constitute a quorum.
14. The President, Chief Executive Officer, Vice President of Finance and Chief Financial Officer and external auditor are expected to be available to attend meetings or portions thereof. The external auditors will meet at least twice annually with the Committee. Others may or may not attend the meetings at the sole discretion of the Committee.
15. Minutes of Committee meetings shall be approved by the Committee and sent to all directors of the Board.

Duties and Responsibilities

16. Financial Statements and Other Financial Information

The Committee will review and recommend for approval to the Board financial information that will be made publicly available. This includes:

- (a) the Corporation's annual and quarterly financial statements;
- (b) the Corporation's press releases and reports as they relate to the finances of the Corporation;
- (c) the Management Discussion and Analysis;
- (d) the financial content of the Annual Report;
- (e) the annual information form and any prospectus or private placement memorandums; and
- (f) any reports required by regulatory or government authorities as they relate to the finances of the Corporation.

The Committee will review and discuss:

- (a) the appropriateness of accounting policies and financial reporting practices to be adopted by the Corporation;
- (b) any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Corporation;
- (c) any new or pending developments in accounting and reporting standards that may affect the Corporation;
- (d) ascertain compliance with the covenants under applicable loan agreements;
- (e) management's key estimates and judgments that may be material to financial reporting; and

- (f) any other matters required to be reviewed under applicable legal, regulatory or stock exchange requirements.

17. *Risk Management, Internal Control and Information Systems*

The Committee will review and obtain reasonable assurance that the risk management, internal control and information systems are operating effectively to produce accurate, appropriate and timely management and financial information. This includes:

- (a) review the Corporation's risk management controls and policies;
- (b) obtain reasonable assurance that the information systems are reliable and the systems of internal controls are properly designed and effectively implemented through discussions with and reports from management and the external auditor;
- (c) review management steps to implement and maintain appropriate internal control procedures including a review of policies;
- (d) review adequacy of security of information, information systems and recovery plans;
- (e) monitor compliance with statutory and regulatory obligations;
- (f) review the appointment of the Vice President of Finance and Chief Financial Officer; and
- (g) review the adequacy of accounting and finance resources.

18. *External Audit*

The Committee will review the planning and results of external audit activities and the ongoing relationship with the external auditor. This includes:

- (a) review and recommend to the Board, for shareholder approval, engagement of the external auditor including, as part of such review and recommendation, an evaluation of the external auditors qualifications, independence and performance;
- (b) review and recommend to the Board the compensation of the external auditor;
- (c) review and recommend to the Board the annual external audit plan, including but not limited to the following:
 - (i) engagement letter;
 - (ii) objectives and scope of the external audit work;
 - (iii) procedures for quarterly review of financial statements;
 - (iv) materiality limit;
 - (v) areas of audit risk;
 - (vi) staffing;
 - (vii) timetable; and

- (viii) proposed fees;
 - (d) meet with the external auditor to discuss the Corporation's quarterly and annual financial statements and the auditor's report including the appropriateness of accounting policies and underlying estimates;
 - (e) review and advise the Board with respect to the planning, conduct and reporting of the annual audit, including but not limited to:
 - (i) any difficulties encountered, or restrictions imposed by management during the annual audit;
 - (ii) any significant accounting or financial reporting issue including the resolution of any disagreement between management and the external auditors;
 - (iii) the auditor's evaluation of the Corporation's system of internal controls, procedures and documentation;
 - (iv) the post audit or management letter containing any findings or recommendation of the external auditor, including management's response thereto and the subsequent follow-up to any identified internal control weakness; and
 - (v) assess the performance and consider the annual appointment of external auditors for recommendation to the Board;
 - (f) review and receive assurances on the independence of the external auditor;
 - (g) review and pre-approve the non-audit services to be provided by the external auditor's firm and consider the impact on the independence of the external audit; and
 - (h) meet periodically with the external auditor without management present.
19. Other
- (a) review material litigation and its impact on financial reporting; and
 - (b) establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

Accountability

20. The committee shall report its discussions to the Board by distributing the minutes of its meetings and where appropriate, by oral report at the next Board meeting.

Standard of Liability

21. Nothing contained in this Charter is intended to expand applicable standards of liability under statutory, regulatory or other legal requirements for the Board or members of the Committee. The purposes and responsibilities outlined in these terms of reference are meant to serve as guidelines rather than inflexible rules and the Committee may adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.

Adopted and approved by the Board: January 18, 2019.