

Decibel Announces Non-Dilutive \$30 Million Debt Financing from Connect First Credit Union

CALGARY, AB, Dec. 30, 2020 /CNW/ - Decibel Cannabis Company Inc. (the "Company" or "Decibel") (TSXV: DB) (OTCQB: DBCCF), is pleased to announce that it has entered into a commitment letter with Connect First Credit Union Ltd. ("**First Calgary**") in respect of \$30 million of debt capital (the "**Committed Amount**"). The Committed Amount is comprised of \$28.5 million of term debt (the "**Term Debt**") and a \$1.5 million authorized overdraft against government receivables (the "**Authorized Overdraft**") (collectively, the "**Credit Facilities**"). The funds will be used to repay Decibel's existing debt (\$26.8 million) and provide additional funds for working capital.

Financing Highlights

- **Total Capital & Extended Maturity:** The Credit Facilities includes \$28.5 million of Term Debt and a \$1.5 million Authorized Overdraft to repay Decibel's existing debt of \$26.8 million. The Credit Facilities mature 5 years from the closing date and amortize over a 10 year term (prior debt was on average a 5 year amortization term).
- **Improved Liquidity:** The financing results in \$3.2 million of immediate gross proceeds and an additional ~\$1 million of principal repayment savings on December 31, 2020. The proceeds will support Decibel's continued sales growth and working capital requirements.
- **Alignment to Operational Schedule:** The Credit Facilities are aligned to Decibel's operational schedule. The Company will benefit from an interest only period on \$16 million of the Term Debt, ending in the third quarter of 2021. Principal savings over this period will provide Decibel flexibility and additional resources to support its growth strategy.
- **Lower Interest Rate:** The committed interest rate under the Credit Facilities is a 5 year fixed rate of 4.75% for the Term Debt and Prime + 1.00% for the Authorized Overdraft. This reflects a blended interest rate reduction of approximately 1.70%, representing approximately \$360 thousand of annual interest savings for Decibel over the full year 2021.
- **Simplification of Financial Covenants:** The Credit Facilities have two annually tested financial covenants, a Debt Service Coverage Ratio of not less than 1.40:1.00, and a Debt to Equity Ratio of not greater than 0.75:1, to commence following Decibel's 2021 year end (December 31, 2021). The Debt to Equity ratio in subsequent years will step down to 0.50:1 beginning in 2022. The Credit Facilities also have a monthly current ratio covenant of not less than 1.25:1 beginning January 2021. Decibel's 12 month forecast projects compliance with all financial covenants.

Debt Financing and Repayment of ATB

The Company expects to repay its credit facilities with ATB Financial ("**ATB**") on or before January 5, 2021 as part of its closing and funding mechanics with First Calgary. The Company would like to acknowledge and thank ATB for its early-stage commitment and belief in the Company and its support in transitioning its banking relationship to First Calgary.

Appointment of Chief Financial Officer

Decibel is pleased to announce the appointment of Stuart Boucher as Chief Financial Officer, effective December 30, 2020.

"We'd like to congratulate Stuart on the appointment to the CFO role," said Cody Church, Interim CEO and Chairman of Decibel. "over the course of this past year, the Board has been impressed with Stuart's strategic leadership."

About Decibel

Decibel is uncompromising in the process and craftsmanship needed to deliver the highest quality cannabis products and retail experiences. Decibel has three production houses operating or under development along with its wholly owned retail business, Prairie Records. The Qwest Estate in Creston, BC is a licensed and operating 26,000 square foot cultivation space which produces the widely championed, rare cultivar-focused brands Qwest and Qwest Reserve, which are sold in six provinces across Canada. Thunderchild Cultivation, an 80,000 square foot indoor cultivation facility in Battleford, SK is scheduled to be completed and licensed in 2020. The Plant, Decibel's extraction facility, in Calgary, AB has 15,000 square feet of Health Canada licensed extraction and product development space. This production house will fuel the growth of our brands Qwest, Qwest Reserve, and Blendcraft, into new and innovative product formats like concentrates, vapes, edibles and beyond.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Cautionary Statements

Forward Looking Information

This news release contains "forward-looking information" and "forward-looking statements" (collectively, "forward-looking statements") within the meaning of the applicable Canadian securities legislation. All statements, other than statements of historical fact, are forward-looking statements and are based on expectations, estimates and projections as at the date of this news release. Any statement that involves discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as "expects", or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends" or variations of such words and phrases or stating that certain actions, events or results "may" or "could", "would", "might" or "will" be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements.

In this news release, forward-looking statements relate to, among other things, Decibel's anticipated principal savings, including the amount,

date of commencement and impact thereof; Decibel's expected compliance with its financial covenants; the date of repayment of Decibel's ATB facility and the implied closing date the Credit Facilities; and the anticipated completion and licensing date of Thunderchild Cultivation. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to: risks relating to delays, regulatory changes and impacts, capital requirements, construction impacts, displacement requirements and unforeseen requirements resulting from the COVID-19 pandemic, the ability to obtain or maintain licences to retail cannabis products; review of the Company's production facilities by Health Canada and receipt or maintenance of licences (including any amendments thereto) from Health Canada in respect thereof; future legislative and regulatory developments involving cannabis; inability to access sufficient capital from internal and external sources, and/or inability to access sufficient capital on favourable terms; the labour market generally and the ability to access, hire and retain employees; general business, economic, competitive, political and social uncertainties; the satisfaction of conditions precedent under the Company's credit facilities; timing and completion of construction and expansion of the Company's production facilities and retail locations; and the delay or failure to receive board, regulatory or other approvals, including any approvals of the TSX Venture Exchange, as applicable. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this news release. Except as required by law, the Company assumes no obligation to update the forward-looking statements of beliefs, opinions, projections, or other factors, should they change, except as required by law.

This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about the Company's prospective results of operations including, without limitation, the expected results of its costs cutting measures and, which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth above. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on FOFI. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, these FOFI, or if any of them do so, what benefits the Company will derive therefrom. The Company has included the FOFI in order to provide readers with a more complete perspective on the Company's future operations and such information may not be appropriate for other purposes.

These forward-looking statements and FOFI are made as of the date of this press release and the Company disclaims any intent or obligation to update any forward-looking statements and FOFI, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

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