

**DECIBEL CANNABIS COMPANY INC.
(formerly Westleaf Inc.)**

Management's Discussion and Analysis

**For the years ended December 31, 2019 and 2018
(In Canadian Dollars)**

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Decibel Cannabis Company Inc. (formerly Westleaf Inc.) and its subsidiaries (the "Company" or "Decibel") is dated as of May 22, 2020.

This MD&A should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended December 31, 2019, and 2018, inclusive of the accompanying financial statements notes (the "Consolidated Financial Statements"), all of which were prepared in accordance with International Financial Reporting Standards ("IFRS").

All amounts presented within this MD&A are in thousands of Canadian dollars, except share and per share amounts, unless otherwise noted.

This MD&A has been prepared with reference to the National Instrument 51-102 *Continuous Disclosure Obligations* established by the Canadian Securities Administrators. Additional information concerning Decibel, including its Consolidated Financial Statements and Annual Information Form ("AIF") can be found on SEDAR at www.sedar.com.

Forward-Looking Information

This MD&A may contain "forward-looking information" with respect to the Company. This information may take the form of statements found within this document expressing the Company's expectations as to future outcomes and events based on the information currently available. All statements contained herein are given as at the date of this MD&A and the Company undertakes no obligation to update the information for new events or circumstances other than as required by securities laws.

Forward-looking information and statements may be identifiable by the use of words such as "achieve", "anticipate", "budget", "could", "estimate", "expect", "future", "forecast", "intend", "may", "might", "occur", "plan", "potential", "prospective", "should", "will", "would" and other similar expressions.

By nature, forward-looking information and statements are inherently subject to the risk that the actual results can be materially different from the expected outcomes. The Company does not provide any assurance as to the accuracy of this forward-looking information and statements and cautions readers not to place undue reliance on such.

Certain forward-looking statements in this MD&A include, but are not limited 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 and operation of the Company's cannabis production facility, the Thunderchild Cultivation Facility (as defined herein);
- the Company's expectations regarding the costs required to complete the Thunderchild Cultivation Facility;
- the Company's expectations for the authorization and approval of cannabis products to be manufactured;
- the Company's ability to produce products of high quality;
- expected demand for cannabis in the adult use recreational market;
- the Company's expectations regarding future development, operation and licensing of the Company's retail locations;
- the Company's expectations regarding obtaining and maintaining licensing related to the cultivation, production and sale of cannabis and cannabis products by the Company, its subsidiaries and its partnerships;
- the ability to operate as a vertically integrated entity;
- the development of brands and brand equity;
- the Company's expectations of product sales;
- future corporate development;

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

- 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 achieve profitability without the need for further fund-raising activities;
- the Company's ability to access debt financing; and
- the Company's impact assessment of COVID-19 (as defined herein).

There are many risks and other factors beyond the Company's control which could cause results to differ materially from those expressed in the forward-looking statements contained in this MD&A. These risks and other factors include, but are not limited to the risk factors considered under "*Other MD&A Disclosures*" in this MD&A.

Comparative Financial Information

On December 20, 2019, We Grow BC Ltd. ("We Grow") completed a Plan of Arrangement (the "Arrangement") that constituted a reverse takeover of Westleaf Inc. ("Westleaf"). As a result of the Arrangement, the historical results of Decibel for the period ended December 31, 2019 relate solely to We Grow up to and including December 20, 2019. Following December 20, 2019, the historical financial information of Decibel relates to that of the consolidated entity resulting from the Arrangement. As a result, the 2019 financial results reflect eleven days of net revenue and operational activity from the operating assets acquired from Westleaf in the Arrangement.

Company Overview

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 the Arrangement with Westleaf resulting in We Grow becoming a subsidiary of the Company.

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 Common Shares (as defined herein) trade on the TSX-Venture Exchange ("TSX-V") under the ticker symbol "DB" and on the OTCQB Venture Market under the symbol "DBCCF". The Convertible Debentures (as defined herein) trade on the TSX-V under the trading symbol "DB.DB". The Company's warrants trade on the TSX-V under the trading symbol "DB.WT".

Description of the Business and Corporate Strategy

Decibel's strategy is to build a cannabis company based on a vertically integrated business model. The three components of this strategy, among others, are:

- i) Cannabis cultivation, processing and sale of cannabis flower products;
- ii) Extraction, processing and manufacturing of a variety of cannabis derivative products; and
- iii) Cannabis retail.

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

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, BC (the "Creston Facility"). The building which houses the Creston Facility is owned by an indirect wholly owned subsidiary of Decibel, R. Spetifore & Sons Ltd. We Grow occupies and operates the Creston Facility. We Grow 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 We Grow 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 also has a cannabis production facility under development in Battleford, Saskatchewan (the "Thunderchild Cultivation Facility"). Once complete, the Thunderchild Cultivation Facility is expected to span 80,000 square feet of indoor cultivation, packaging, and processing space. Decibel's standard cultivation licence application under the *Cannabis Act*, 2018 (the "*Cannabis Act*") has been entered into the Cannabis Tracking and Licensing System ("CTLS") and is currently under review with Health Canada. Such licence, if granted, will allow Decibel to cultivate cannabis and sell wholesale dried cannabis flower from its Thunderchild Cultivation Facility.

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 Alberta Gaming, Liquor and Cannabis Commission (the "AGLC"), the Ontario Cannabis Retail Association, the British Columbia Liquor Distribution Board 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 several retail outlets in the province.

As at December 31, 2019, Decibel had two brands, Qwest and Qwest Reserve, which were both positioned as ultra-premium brands and cannabis products. Subsequent to December 31, 2019, Decibel launched an additional brand, Blendcraft by Qwest, a premium blended pre-roll line.

Extraction and Manufacturing of Cannabis Derivative Products

Decibel has a large-scale cannabis extraction, processing and product formulation facility in Calgary Alberta ("The Plant"). The Plant is a 60,000 square foot facility with 15,000 square feet of Health Canada licensed processing space. The Plant is currently being used to perform co-packing services for one of Decibel's subsidiaries, while commissioning equipment and advancing product development initiatives. On March 30, 2020, Decibel submitted a sales licence amendment application for the sale of dried cannabis products and cannabis extract products produced at The Plant.

Retail Locations and Operations

Decibel has a portfolio of prospective retail locations across Western Canada. As at December 31, 2019, Decibel had four Prairie Records cannabis retail stores in operation in Saskatchewan and Alberta.

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

Saskatchewan

Decibel has three operational retail locations in Saskatchewan, with two stores located in Saskatoon and one in Warman and operates e-commerce cannabis sales throughout the Province of Saskatchewan in accordance with provincial regulations.

Alberta

Decibel has one operational retail location located in Calgary, Alberta. As at December 31, 2019, Decibel had received approval for ten municipal development permits in central/south Alberta. Each of these locations is subject to AGLC licensing upon completion of construction.

Subsequent to December 31, 2019, Decibel constructed and received provincial licensing for its University of Alberta cannabis retail store and is expected to complete its Palace Theatre cannabis retail store and receive the applicable licence over the summer of 2020.

Expansion Plans

The Company currently estimates the debt financing it has available is sufficient to complete the construction of the Thunderchild Cultivation Facility. Additional financing will be required to complete the entirety of Decibel's undeveloped retail portfolio. The Company's ability to meet its expansion goals for retail locations may also be limited by moratoriums, and other licensing restrictions, that may be imposed by the municipalities and provinces in which the Company intends to operate. If the Company is not able to obtain additional financing, or obtain the licensing it requires, it may be required to scale back its expansion plans accordingly. There can be no assurance that additional debt or equity financing will be available to meet the Company's requirements, or if available, on acceptable terms, and there can be no assurance that the Company will be able to enter into appropriate lease arrangements or receive applicable regulatory approvals to meet all of its expansion plans at this time. Refer to "*Liquidity and Capital Resources*" and "*Going Concern*".

Going Concern

The Consolidated Financial Statements and MD&A have been prepared based on accounting policies applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. During the year ended December 31, 2019, the Company incurred a net loss of \$6.5 million, utilized funds amounting to \$1.4 million in its operations and has net current assets of \$9.0 million. The effect the Novel Coronavirus ("COVID-19") pandemic is having, and is expected to continue to have, on the overall business environment and financial markets gives rise to uncertainty as to the future impacts COVID-19 may have on the Company.

In order to continue as a going concern, the Company must generate sufficient income and cash flows to repay its obligations, finance operations and fund capital investments. The future of the Company is dependent on its ability to attain profitable operations and maintain compliance with covenants relating to its lending agreements, generate sufficient funds from operations, continue receiving financial support from its shareholders and lenders and obtain new financing. There is no certainty that the Company will raise these necessary funds from financing or operations.

Subsequent to the year ending December 31, 2019, the Company amended its facility agreement. Based on currently available information, the Company expects to comply with all covenants during the fiscal year 2020, however, these results are expected to be near the minimum amounts necessary to comply with some of the financial covenants in certain quarters of 2020. If Company does not comply with the financial covenants, there can be no guarantee that the Company will receive waivers of any such covenant breach and its debts may become due on demand. Refer to "*Liquidity and Capital Resources*".

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

As a result of these factors, there is a material uncertainty that may result in significant doubt as to the ability of the Company to meet its obligations as they come due and continue as a going concern.

This MD&A and the Consolidated Financial Statements for the year ended December 31, 2019, do not reflect adjustments that may be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate, adjustments would be necessary to the carrying value of assets and liabilities, the reported revenues and expenses and the statement of financial position classification used.

Recent Developments

Reverse Takeover Transaction and Concurrent Financing

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 has been treated as a reverse takeover, and has been accounted for under IFRS 3, Business Combinations. The former shareholders of We Grow received a total of 183.6 million common shares in the capital of Westleaf ("Common Shares"), or 56.3% of the post consolidated Common Shares for all of the outstanding common shares of We Grow ("We Grow Common Shares") at an exchange ratio of 4.264 Common Shares and We Grow's Class "C" voting common participating shares ("We Grow Class "C" Shares") (which were exchanged for Common Shares on a 1 to 1 basis). Following the Arrangement, We Grow became a wholly-owned subsidiary of Decibel Cannabis Company Inc, formerly known as Westleaf Inc.

Prior to the completion of the Arrangement, We Grow's issued and outstanding promissory notes in the aggregate principal amount of \$1 million, plus accrued and unpaid interest, were extinguished for We Grow units (the "Units") with each Unit consisting of one We Grow Class "C" Shares and one-half of a warrant to purchase one We Grow Class "C" Share ("We Grow Warrants"). The We Grow Warrants were subsequently exchanged for Common Share purchase warrants at the conversion factor of 4.264 applied in the Arrangement.

The existing stock options that were held by the former shareholders of We Grow, were exchanged for stock options of Westleaf on equivalent terms as the original agreements.

Concurrent with the completion of the Arrangement, We Grow completed a non-brokered private placement of 8.5 million subscription receipts (each a "Subscription Receipt") at \$0.21 per Subscription Receipt for gross proceeds of \$1.8 million. Each Subscription Receipt comprised of one We Grow Class "C" Share and one-half of a We Grow Warrant. Each We Grow Class "C" Share and each We Grow Warrant was exchanged for one Common Share and one Common Share purchase warrant under the Arrangement with an exercise price set at \$0.28 per share for a period of two years following the closing of the Arrangement.

Board of Directors and Executive Management

Following the completion of the Arrangement, the Board of Directors of the Company consisted of Cody Church (Chairman), Paul Wilson, Michael Kelly, Delbert Wapass, and Ben Sze. Management of the Company consisted of Ben Sze as Chief Executive Officer, Scott Hurd as President, Taylor Ethans as Chief Financial Officer, Gary Leong as Chief Compliance Officer, and Adam Coates as Executive Vice President, Commercial.

See "*Subsequent Events*" for changes to executive management subsequent to period end.

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

Debt Financing

On December 20, 2019, the Company amended its credit facilities (the "Credit Facilities") with ATB Financial ("ATB") resulting in an additional \$4.7 million of borrowed capital. Refer to "*Liquidity and Capital Resources*".

As at December 31, 2019, the Company had \$3.0 million of undrawn available debt capital as well as an additional borrowing amount of \$13.2 million pending lender approval for additional construction phases.

Capital Projects

During the year ended December 31, 2019, the Company completed construction and obtained Health Canada approval for a second vegetative grow room at the Creston Facility. This additional grow space will allow Decibel's growers additional flexibility in extending vegetative times in managing optimal growth and yields of various strains under the Company's genetic portfolio.

Health Canada Quality Assurance Hold

Subsequent to the final regulatory approval of the Creston Facility's second vegetative grow room, 190.0 kg of product grown in this section of the Creston Facility was placed on a quality assurance hold (the "Hold") during the regulatory review process. All the products were released upon the completion of the regulatory approval process. As a result of the Hold, the Company had a limited quantity of packaged inventory available for sale at the end of the year and did not record sales in December 2019.

Subsequent Events

Subsequent to December 31, 2019, a global pandemic was declared related to COVID-19. The global impact of COVID-19 has had a significant impact on economies and financial markets. The impact on the Company can not be reasonably estimated at this time but it could result in, among other things, supply chain issues, customer demand changes for the Company's products, logistics difficulties, personnel shortages as well as increased government regulations or interventions which could impact the Company's financial condition or results of operations.

Subsequent to December 31, 2019, the Company executed several cost-reduction measures and realized on synergies resulting from the Arrangement, resulting in an estimated cost savings exceeding \$5 million through the 2020 fiscal year compared to 2019. These initiatives have included an approximate 35% reduction in corporate staff, a 68% reduction of its lease portfolio and broad elimination of non-essential spending.

On January 14, 2020, the Hold was lifted, and the cannabis material was subsequently allocated for either immediate sale or for further processing into pre-roll products. On January 14, 2020, 50.0 kg of packaged flower was released for immediate sale, and on March 16, 2020, 140.0 kg of pre-roll products was released for sale.

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

In March 2020, the Company launched Blendcraft by Qwest ("Blendcraft"), the Company's introduction of premium blended pre-rolls into the Canadian market space. The launch of Blendcraft allows Decibel to unlock full value of its harvests. Blendcraft is being sold in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

On March 30, 2020, the Company submitted a sales amendment application for the sale of dried cannabis products and cannabis extract products from The Plant.

On April 13, 2020, the Company submitted a complete site evidence package to Health Canada, in connection with its application for a cultivation licence for the Thunderchild Cultivation Facility.

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

On April 27, 2020, Adam Coates' title was changed to Chief Growth Officer and Derek Sider was appointed Chief Commercial Officer.

On May 4, 2020, Taylor Ethans resigned as Chief Financial Officer, and the Company appointed Stuart Boucher as interim Chief Financial Officer.

On May 22, 2020, the Company and ATB entered into an amending agreement to, among other things, amend the tested financial covenants under its Credit Facilities. Refer to "*Liquidity and Capital Resources*".

Selected Annual Information

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
	\$	\$	\$
Net Revenue	6,235	138	-
Loss from operations	(3,647)	(2,717)	(1,243)
Loss and comprehensive loss	(6,531)	(2,691)	(809)
Loss per share	(0.10)	(0.06)	(0.02)
Total assets	88,545	11,116	7,784
Total non-current financial liabilities	38,125	-	-
Distributions declared	-	-	-

The Company received Health Canada licensing for its Creston Facility in the fourth quarter of 2018. The 2019 fiscal year therefore represents the Company's first full year of sales from its Creston Facility. The year ended December 31, 2019, also includes eleven days of net revenue and operational activity from operating assets acquired in the Arrangement including four operating retail outlets and an e-commerce retail platform. Had the Arrangement closed on January 1, 2019, management estimates that for the period January 1, 2019, to December 20, 2019, net revenue would have increased by an additional \$4.6 million and loss and comprehensive loss would have increased by \$19.5 million. In determining these amounts, management assumes the fair values on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2019.

Loss from operations over the selected annual periods has increased primarily as a result of an increase to full commercial operations in the Creston Facility, and an increase in corporate headcount leading to an increase in selling, general, and administrative costs and share based compensation. The Company also incurred significant transaction costs resulting from the Arrangement.

Total assets increased in 2018 over 2017 as a result of expanding the growing footprint of the Creston Facility. Total assets increased in 2019 over 2018 primarily as a result of completion of the Arrangement which added \$70.9 million of assets to the Company's balance sheet. In addition, the Company added \$4.7 million in cash on December 31, 2019, as a result of the closing of additional loan financing, and added \$1.1 million in capital assets, which were primarily the result of the buildout of additional space at the Creston Facility. Refer to "*Capital Additions*".

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

Operations

	Three months ended		Year ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	\$	\$	\$	\$
Net revenue	1,465	138	6,235	138
Production costs - wholesale	1,534	806	5,371	2,217
Cost of goods sold - retail	209	-	209	-
Gross profit (loss) before fair value adjustments	(278)	(668)	655	(2,079)
Unrealized gain on changes in fair value of biological assets	809	1,467	5,711	2,190
Change in fair value of biological assets realized through inventory sold	(825)	(411)	(4,364)	(411)
Gross profit (loss)	(294)	388	2,002	(300)
Selling, general and administration	1,678	484	3,321	1,459
Depreciation and amortization expense	265	17	321	61
Share-based compensation	844	(8)	2,007	897
Loss from operations	(3,081)	(105)	(3,647)	(2,717)
Other income	(11)	(12)	(28)	(31)
Finance costs	770	5	770	5
Foreign exchange loss	14	-	14	-
Transaction costs	2,128	-	2,128	-
Loss and comprehensive loss	(5,982)	(98)	(6,531)	(2,691)

For the three months and year ended December 31, 2019, the Company recorded a net loss of \$6.0 million (2018 - \$98) and \$6.5 million (2018 - \$2.7 million), respectively. The increase in net loss for the three and twelve-month periods is primarily due to an increase in transaction costs, selling, general and administration expenses, finance costs, and depreciation, partially offset by increases in gross profit. Selling, general and administration expense increased primarily as a result of increases in sales commissions and marketing related activities, increased salaries, wages and office costs due to an increase in headcount over the comparative period as the Company increased operations with 2019 being the company's first full year of sales and severance costs, as well as increased professional fees as a result of increased corporate activity. Finance costs increased primarily as a result of non-cash costs incurred in the settlement of promissory notes with equity, and interest and accretion on new debt financing utilized in 2019. Depreciation increased as a result of increases in capital assets in 2019.

Net Revenue

Total net revenue for the three months and year ended December 31, 2019, of \$1.5 million (2018 - \$138) and \$6.2 million (2018 - \$138), respectively, primarily relates to sales of dried cannabis from the Company's Creston Facility. The increase in net revenue is due to the Company receiving Health Canada licensing to sell cannabis products in October 2018. Therefore, the 2019 fiscal year represents the first full year of sales for the Company. During this period, revenue performance was positively affected by the launch of new cannabis strains, an expanded distribution footprint that includes British Columbia, Alberta, Ontario, Saskatchewan and Prince Edward Island, and an average

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

wholesale flower gross pricing for 2019 of \$11.44 per gram (2018 - \$8.64 per gram). The average wholesale gross price for 2019 including trim was \$8.87 per gram (2018 - \$6.66 per gram). Net revenue for the three and twelve-month periods ended December 31, 2019, also included eleven days of retail sales related to stores acquired in the Arrangement, totalling \$357 (2018 - \$nil) and \$357 (2018 - \$nil), respectively.

During the three months and year ended December 31, 2019, the Company sold the following volumes of dried cannabis:

	Three months ended		Year ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	kg	kg	kg	kg
Dried flower	133.7	18.6	621.2	18.6
Dried trim	42.8	-	110.1	-
Total dried cannabis sold	176.5	18.6	731.3	18.6

Subsequent to period end, COVID-19 has not had any material negative impacts on the Company's ability to generate net revenues to date. This situation could change in the case of a change in the status of cannabis as an essential product, a prolonged pandemic period leading to decreased in demand or supply chain disruptions, change in the municipal, provincial, or federal regulation of the emergency orders, measures and guidance, or if any cases occur in any of the Company's facilities or retail locations, forcing a temporary shut down, and other unforeseen circumstances such as supply chain disruptions. The Company has designed and implemented a pandemic response plan and altered its operating procedures in its facilities and retail locations to address the risks of COVID-19. Refer to "Industry Trends and Risks".

Production Costs

During the three months and year ended December 31, 2019, the Company incurred production costs of \$1.5 million (2018 - \$806) and \$5.4 million (2018 - \$2.2 million), respectively.

The increase in production costs for the three months and year ended December 31, 2019, as compared to the same periods in 2018, is due to the scaling up of cultivation and processing activities at the Creston Facility.

Production costs consist of direct and overhead costs attributable to cannabis production activities during the biological transformation process up to the point of harvest incurred in the period, as well as direct and overhead costs attributable to post-harvest cannabis processing activities that have been initially capitalized to inventory and subsequently expensed to production costs as cannabis inventory is sold.

Production costs related to cannabis production activities during the biological transformation process up to the point of harvest consist of amortization expense on production related assets, sanitation, record keeping, quality assurance, security and facility maintenance activities. These costs are expensed to production costs in the period they are incurred.

Production costs related to cannabis processing activities after harvest consist of direct and overhead allocation for wages and benefits, facilities, materials, supplies and amortization expense for drying, trimming, packaging, sanitation, record keeping, quality assurance, and security site maintenance activities. These costs are initially capitalized to inventory in the period incurred and subsequently expensed to production costs as cannabis is sold.

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

Unrealized Gain on Changes in Fair Value of Biological Assets

Unrealized gain on changes in fair value of biological assets represents the markup to fair value of biological assets as they are undergoing biological transformation. This fair value is determined as the expected sales price net of costs to sell and costs to complete. For the three months and year ended December 31, 2019, the Company recognized unrealized gains of \$809 (2018 - \$1.5 million) and \$5.7 million (\$2.2 million), respectively. The decrease in the three-month period represents differences to inputs in the model, particularly a reduction in expected yield and increased expected post-harvest cost per gram in the current period. The yield per gram was lower in 2019 than the prior year as a result of new strains introduced that resulted in a lower yield compared to the 2018 production mix, but received a higher sales price, and due to new strains requiring several crop cycles to reach peak production yields. The increase in post-harvest costs are the result of changes to post-harvest activities targeting improving end product quality and user experience, which has also led to an increase in gross prices to \$8.87 per gram, (2018 - \$6.66 per gram). The increase in fair value of biological assets on a twelve month basis is primarily due to increased grow space in the facility in 2019 leading to a higher plant count and a higher estimated plant percentage of completion, as well as an increased realized price, partially offset by increased post-harvest costs.

Change in Fair Value of Biological Assets Realized Through Inventory Sold

Change in fair value of biological assets realized through inventory sold is the fair value less costs to sell recognized during the biological transformation process related to cannabis sold during the period.

During the three months and year ended December 31, 2019, the Company recognized a change in the fair value of inventory sold of \$825 (2018 - \$411) and \$4.4 million (2018 - \$411), as a result of increased cannabis sold during the current periods.

Selling, General and Administration

Details of the most significant expense items in general and administration, are as follows:

	Three months ended		Year ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	\$	\$	\$	\$
Salaries and wages	841	166	1,477	310
Sellings costs	80	11	403	11
Office and general	114	78	507	149
Professional fees	368	61	456	267
Marketing and branding	183	60	282	128
Consulting fees	66	54	94	466
Travel and accommodation	26	54	102	128
Total selling, general and administration expense	1,678	484	3,321	1,459

Selling, general and administration expenses increased over comparative periods in all categories, with the exception of travel and accommodation, and consulting fees specifically for the twelve-month period. Selling costs have increased as a direct result of increases in sales. Salaries and wages increased as a result of increased head count of office staff, new staff acquired in the Arrangement, and severance resulting from corporate reorganization in the fourth quarter of 2019 following the Arrangement. Office and general increased as a result of an increase in office staff.

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

Marketing and branding increased in line with the Company's entrance into the cannabis market in late 2018 and is a result of increased sales related activities. Professional fees increased due to an increase in corporate activity requiring legal and professional accounting services over the last year. Consulting fees decreased for the twelve-month periods as a result of bringing some consultants onto payroll, and due to additional consulting required for the licensing and start-up phase of the Company.

Share-Based Compensation

	Three months ended		Year ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	\$	\$	\$	\$
Performance warrants	7	-	7	-
Stock options	776	(8)	1,939	897
Restricted Share Units ("RSUs")	48	-	45	-
Other	13	-	16	-
Total share-based compensation	844	(8)	2,007	897

Share-based compensation for the three months and year ended December 31, 2019, increased due to increased office staff over the prior year. Share-based compensation related to performance warrants, RSUs and other, are related to historical awards of the acquiree company in the Arrangement, and therefore reflects 11 days of recognition for the three months and year ended December 31, 2019.

Transaction Costs

Transaction costs for three months and year ended December 31, 2019, were \$2.1 million (2018 - \$nil). These amounts are related to costs associated with the closing of the Arrangement.

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA")

	Three months ended		Year ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	\$	\$	\$	\$
Loss and comprehensive loss	(5,982)	(98)	(6,531)	(2,691)
Unrealized gain on changes in fair value of biological assets	(809)	(1,467)	(5,711)	(2,190)
Change in fair value of biological assets realized through inventory sold	825	411	4,364	411
Depreciation and amortization expense	265	17	321	61
Share-based compensation	844	(8)	2,007	897
Other income	(11)	(12)	(28)	(31)
Finance costs	770	5	770	5
Foreign exchange loss	14	-	14	-
Transaction costs	2,128	-	2,128	-
Non-cash production costs	82	106	649	572
Severance payments	253	-	255	-
Adjusted EBITDA	(1,621)	(1,046)	(1,762)	(2,966)

(a) Adjusted EBITDA is a non-GAAP performance measure. Refer to "Cautionary Statement Regarding Certain Non-GAAP Performance Measures" for further details.

The decrease in Adjusted EBITDA for the three months ended December 31, 2019 is primarily due to an increase in loss and comprehensive loss resulting from increases in selling, general and administration costs, partially offset by increases in gross profit (loss) before fair value adjustments. The increase in Adjusted EBITDA for the year ended December 31, 2019, was primarily due to an increase in loss and comprehensive loss resulting from increases in gross profit (loss) before fair value adjustments, partially offset by increases in selling, general, and administration costs. Refer to "Selling, General, and Administration" for further details.

Statement of Financial Position

Inventory

As at December 31, 2019, the Company had \$5.0 million (2018 - \$1.6 million) in inventory related to cannabis and cannabis accessories. The increase compared to the prior period is primarily due to growth in dried flower inventory at the Creston Facility, and \$1.3 million of retail cannabis inventory related to the stores acquired pursuant to the Arrangement.

Other Current Assets

As at December 31, 2019, the Company had other current assets of \$1.3 million (2018 - \$295). This balance primarily consisted of prepaid expenses, refundable deposit amounts for retail location leases, and deposits paid on inventory in transit. The increase over the prior year is primarily related to other current assets acquired upon closing of the Arrangement.

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

Capital Additions

For the year ended December 31, 2019, the Company incurred a total of \$405 (2018 - \$380) in building upgrades to its Creston Facility, as well as \$846 (2018 - \$686) in additional production equipment. These additions were primarily related to the buildout of a second vegetative space, and the development of additional mezzanine space. As at December 31, 2019, \$205 (2018 - \$nil) of these capital additions were construction in progress in relation to additional mezzanine space.

On December 20, 2019, the Company acquired \$50.2 million in capital assets through the completion of the Arrangement. This included \$15.6 million related to The Plant, \$30.8 million construction in progress related to the Thunderchild Cultivation Facility, \$2.5 million in leasehold improvements related to retail stores, and \$1.2 million in head office assets.

Capital assets acquired of \$30.8 million related to the Thunderchild Cultivation Facility are the result of construction and equipment related to the first phase of development of the facility. For the three months and year ended December 31, 2019, the Company incurred \$200 (2018 - \$nil) and \$200 (2018 - \$nil), respectively, in capital additions on the Thunderchild Cultivation Facility. The remainder of construction for the first phase of development will require an estimated additional \$2.2 million of available funds to complete construction. The ability of the Thunderchild Cultivation Facility to produce and sell cannabis is also subject to the receipt of a standard cultivation licence and sales licence from Health Canada. The Company submitted a complete site evidence package to Health Canada for Thunderchild Cultivation Facility on April 13, 2020.

Capital assets acquired of \$15.6 million related to The Plant included land, building and equipment. Construction on the first phase of The Plant was completed prior to the Arrangement date, and the facility currently has undeveloped space for a second phase expansion which has yet to be scheduled. The Plant is currently licenced for production, however the ability to sell cannabis products from The Plant is subject to the receipt of a sales licence for the sale of dried cannabis products and cannabis extract products produced. Subsequent to the period end, the Company submitted a sales licence amendment application for the sale of dried cannabis products and cannabis extract products on March 30, 2020.

Capital assets acquired of \$2.5 million of leasehold improvements primarily relates to four licenced and operating retail locations. The Company also has leases and development permits for further undeveloped retail locations. Decibel estimates that the build out of its undeveloped retail stores will average approximately 250 dollars per square foot, depending on a number of factors including the store size, cost of labour in the regional market, store location, and provincial regulations.

For the three months and year ended December 31, 2019, capital additions of \$250 (2018 - \$42) and \$8 (2018 - \$98), respectively, related to furniture, fixtures, computer hardware and software.

Right-of-Use Assets and Lease Liabilities

As at December 31, 2019, right-of-use assets totalled \$5.7 million (2018 - \$nil), and lease liabilities totalled \$6.0 million (2018 - \$nil). These increases over the comparative period primarily relate to right-of-use assets and lease liabilities acquired in the Arrangement related to leases on retail locations, the land lease on the Thunderchild Cultivation Facility, and Decibel's head office lease. Right-of-use assets and lease liabilities acquired in the Arrangement totalled \$5.6 million and \$5.9 million, respectively.

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

Summary of Quarterly Results

The following table sets out certain financial information for each of the Company's prior quarterly reporting periods:

Quarter ended	Net Revenue	Net loss	Loss per share basic/diluted
	\$	\$	\$
September 30, 2019	2,743	(389)	(0.01) / (0.01)
December 31, 2019	1,465	(5,982)	(0.10) / (0.10)

Net revenue decreased in the fourth quarter of 2019 as compared to the third quarter of 2019 primarily due the Hold on the Company's inventory. This limited the inventory available for sale and led to the Company not being able to generate sales revenues in December. The Hold was lifted subsequent to period end. Refer to "*Subsequent Events*".

Net loss increased quarter over quarter primarily as a result of reduced sales due to the Hold, transaction costs in closing the Arrangement, increased non-cash financing costs, and increased selling, general and administration costs.

Liquidity and Capital Resources

To date, the Company has met its operational and capital requirements primarily through the issuance of Common Shares, assumption of debt financing, and the generation of net revenues. During the year ended December 31, 2019, the Company generated the majority of its net revenue from cannabis produced in its Creston Facility. The Company also generated eleven days of revenue from retail locations acquired in the Arrangement. Decibel is still in the development and licensing phase for two major capital projects. The Company's ability to sustain its capital resourcing needs with cashflows from operations is contingent upon successful completion and licensing of these projects and the availability of future financing to sustain working capital requirements.

The Company's objective when managing its liquidity and capital resources is to maintain sufficient liquidity to support financial obligations as they come due while executing operating and strategic plans. The Company manages its liquidity through preparation and use of cash flow forecasts and budgets to ensure it has sufficient funds to meet obligations as they become due. The Company manages its working capital as part of this process, and in doing so meets its funding needs by pursuing additional debt and equity financing sources, managing the timing of capital expenditures and other measures. Decibel's future business activities require additional debt or equity financing sources to develop and operate. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Refer to "*Going Concern*".

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

The following table summarizes the Company's capital structure:

	As at December 31, 2019	As at December 31, 2018
	\$	\$
Equipment loan payable (a)	329	-
Term loans (b)	24,390	-
Convertible debentures (c)	9,878	-
Total debt	34,597	-
Share capital	42,106	10,684
Total capitalization	76,703	10,684

- (a) Equipment loan is payable in eighteen monthly installments commencing October 1, 2019. For more information, refer to Note 16 of the Consolidated Financial Statements.
- (b) Term loans have a two-year term with a maturity date of December 1, 2021. Principle repayments vary by facility and are based on forty-six month to five-year amortization periods. For more information, refer to Note 17 of the Consolidated Financial Statements.
- (c) Convertible debentures consist of unsecured convertible debentures with a face value of \$12.0 million (the "Convertible Debentures"). The Convertible Debentures will mature and be repayable May 10, 2022 to the extent this liability is not converted and exercised into Common Shares. For more information, refer to Note 18 of the Consolidated Financial Statements.

The increase in Decibel's total capitalization as at December 31, 2019 over the comparative period is primarily related to debt acquired and equity issued as consideration under the Arrangement, as well as additional debt financing and equity issuances. The fair value of consideration transferred under the Arrangement was comprised of equity of \$30.1 million including share capital, replacement warrants, replacement options, equity portion of Convertible Debentures, and \$144 of cancelled debt. Debt acquired included term loans of \$20.0 million and Convertible Debentures of \$9.9 million. Subsequent to closing of the Arrangement, the term loans acquired were renegotiated, and an additional financing of \$4.7 million was secured to be used for general corporate purposes. Decibel also closed a concurrent equity financing of \$1.8 million in conjunction with completion of the Arrangement and closed on \$300 in issuances of Common Shares during the course of the year. Prior to with the Arrangement, \$1.1 million in shareholder principal debt and accrued interest was also settled by the issuance of Common Shares and warrants.

As at December 31, 2019, the Company had a working capital surplus of \$9.0 million (December 31, 2018 - \$3.2 million), a total consolidated cash position of \$11.7 million (December 31, 2019 - \$636) and unutilized borrowing room on its ATB facilities of \$3.0 million (2018 - \$nil) of undrawn available debt capital as well as an additional borrowing amount of \$13.2 million (2018 - \$nil) pending lender approval for additional construction phases. This cash and borrowings was available for use towards the completion of the Thunderchild Cultivation Facility, working capital requirements, servicing of debt, complete retail store build-outs currently under construction, and to cover operating costs and working capital requirements toward the Company reaching positive operational cashflows. The Company has budgeted that the Thunderchild Cultivation Facility will require an additional \$2.2 million to complete. Construction of new store locations are budgeted at an average of 250 dollars per square foot, depending on a number of factors including the size of the store, cost of labour in the regional market, store location, and provincial regulations for store requirements. The Company currently does not have any capital commitments to complete future retail locations, and the total number and timing of the construction of future retail locations will depend on financing, capital available and changes in the Company's budget and operational plans.

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

The Company's working capital details are as follows:

	As at December 31, 2019	As at December 31, 2018
	\$	\$
Cash	11,654	636
Accounts receivable	707	248
Other current assets	1,283	295
Biological Assets	885	864
Inventory	5,016	1,627
Accounts payable and accrued liabilities	(8,113)	(386)
Current portion of lease liabilities	-	-
Due to related party	(540)	(46)
Current portion of equipment loan payable	(261)	-
Current portion of long-term debt	(1,621)	-
Total working capital (a)	9,008	3,238

(a) Working capital is a non-GAAP performance measure. Refer to *Cautionary Statement Regarding Certain Non-GAAP Performance Measures* for further details

Decibel's term loans are subject to the following financial covenants:

(a) Minimum Adjusted EBITDA

The Company must not permit adjusted earnings before interest, depreciation and amortization ("EBITDA") to be less than:

\$500 for the fiscal quarter ending March 31, 2020;
\$750 for the fiscal quarter ending June 30, 2020; and
\$2.0 million for the fiscal quarter ending September 30, 2020.

(b) Total funded debt to annualized EBITDA ratio

Commencing with the fiscal quarter ending December 31, 2020, the Company shall not permit the total funded debt to annualized EBITDA ratio to be greater than 2.25:1.00. For the fiscal quarter ending December 31, 2020, through to the fiscal quarter ending September 30, 2021, EBITDA shall be annualized using the fiscal quarter December 31, 2020, as its first quarterly period in the annualized calculation. For the fiscal quarter ending December 31, 2021 and subsequent, the annualized EBITDA will be calculated on a rolling four-quarter basis.

(c) Current ratio

The Company shall not permit the current ratio, defined as the current assets ratio to current liabilities as presented on the consolidated statements of financial position, calculated quarterly on the last day of each fiscal quarter to fall below 1:25:1.00.

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

(d) Fixed charge coverage ratio

Commencing on the fiscal quarter ending September 30, 2020, the Company shall not permit the fixed charge coverage ratio to fall below 1.25:1.00. The fixed charge coverage ratio is defined as the ratio of cash flow available for fixed charges to fixed charges. Cash flow available for fixed charges is defined as annualized EBITDA adjusted for any non-cash items, extraordinary and non-recurring cash losses not in the ordinary course of business, unfunded capital expenditures and distributions paid. Fixed charges are defined as interest expense payable in cash as at the date of the quarter end calculation plus the aggregate of all schedule principal payments of debt, excluding accounts payable and payroll or other liability accruals in the ordinary course of business, during the quarter reporting period.

For the fiscal quarter ending December 31, 2020, through to the fiscal quarter ending September 30, 2021, EBITDA shall be annualized using the December 31, 2020, fiscal quarter as the first quarterly period in the annualized calculation. For the fiscal quarter ending December 31, 2021 and subsequent quarters, annualized EBITDA will be calculated on a rolling four-quarter basis.

The Company met its covenant requirements as at and for the year ended December 31, 2019. The Company's ability to meet the minimum EBITDA, EBITDA ratio, and fixed charge coverage ratio covenants on a go forward basis are subject to risk of default if these forward earnings requirements are not met. The Company's ability to meet the conditions of these ratio covenants is subject to the Company's ability to operationalize capital projects that are either recently completed or still under construction, and are subject to Health Canada licensing and operationalizing in order to generate revenues. There can be no assurance to the certainty or timing of receiving Health Canada licensing as this process is subject to material risks outside of the Company's control, nor can there be any certainty as to the timing of the Company operationalizing such facilities. In addition, the recent global COVID-19 pandemic poses risks to timing of the Company's future cash flows, which could also have an impact on the Company's forward earnings and ability to meet financial covenants. Refer to "*Industry Trends and Risks*".

On May 22, 2020, the Company amended its Credit Facilities as follows:

An increase in the existing prime rate loans interest rate such that the effective rate at December 31, 2019, would have been 7.45%.

A revision to the existing Minimum EBITDA financial covenant such that the Company must not permit its year-to-date EBITDA to be less than:

\$250 for the fiscal quarter ending March 31, 2020;
\$300 for the fiscal quarter ending June 30, 2020;
\$900 for the fiscal quarter ending September 30, 2020; and
\$2.5 million for the fiscal year ending December 31, 2020.

A revision to the existing total funded debt to annualized EBITDA ratio financial covenant such that the Company must not permit its total funded debt to EBITDA ratio to be greater than:

3.75:1.00 for the fiscal quarter ending March 31, 2021; and
2.50:1.00 for the fiscal quarter ending June 30, 2021 and all fiscal quarters thereafter.

The inclusion of a "Minimum Liquidity" financial covenant such that the Company must not permit its cash and cash equivalents to be less than a minimum monthly stipulated balance ranging from \$1.15 million to \$3.18 million throughout the months of May through December of 2020.

The inclusion of a new default event if the Company fails to obtain certain licenses or amendments to licenses on or before September 1, 2020, September 30, 2020 and April 30, 2021, respectively.

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

The removal of the \$1.0 million operating facility from the available borrowings.

The removal of the available borrowing capacity of \$1.1 million from the equipment term loan facility. The amount currently drawn on the facility of \$1.1 million remains outstanding.

Cash Flows

As at December 31, 2019, Decibel had a cash balance of \$11.7 million (2018 - \$636).

For the three months and year ended December 31, 2019, the Company expended total cash of \$354 (2018 - \$1.6 million) and \$1.4 million (2018 - \$3.1 million), respectively. For the three months and year ended December 31, 2019, the Company's most significant expense from operations was \$2.1 million in transaction costs, which consisted of \$1.8 million in cash costs, and \$350 in non-cash costs. Cash generated from operations was \$1.4 million and \$250, when adjusted for this non-recurring expense. In the comparative periods, the three months ended December 31, 2018 was the first quarter of sales for the Company, which generated a net positive cash flow from operations. For the year ended December 31, 2018 cash spent in operations was primarily the result of selling, general and administration, growing and licensing costs. These costs were incurred towards obtaining licensing and approval for production and sale of cannabis and producing inventory for recreational sale.

For the three months and year ended December 31, 2019, cash provided by investing activities totalled \$5.7 million (2018 - expended \$418) and \$5.3 million (2018 - expended \$1.2 million), respectively. Cash generated in the current fiscal year primarily relates to cash acquired in closing of the Arrangement of \$7.7 million, which was partially offset by purchases of property, plant and equipment and changes in working capital.

For the three months and year ended December 31, 2019, the Company generated \$6.0 million (2018 - \$296) and \$7.2 million (2018 - \$4.9 million), respectively, in cash from financing activities. During the 2019 fiscal year, the Company's primary financing activities included the securing of a \$4.7 million term loan pursuant to the Credit Facilities (refer to "*Liquidity and Capital Resources*") which resulted from the renegotiation of bank debt acquired in the Arrangement, raising \$1.6 million through the issuance of We Grow Shares, and issuing \$1.0 million of promissory notes that were eventually settled in equity. The majority of the activities occurred in the fourth quarter of 2019 with the exception of the \$1.0 million promissory note and \$300 of stock issuances. Decibel's primary sources of cash in the comparative period was cash from equity financing.

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

Contractual obligations

As at December 31, 2019, the Company had the following contractual obligations:

	Total	2020	2021	2022	2023	2024	Thereafter
	\$	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	8,113	8,113	-	-	-	-	-
Long-term lease liabilities	6,244	888	1,016	1,015	990	525	1,811
Equipment loan (a)	344	275	69	-	-	-	-
Long-term debt (a)	27,592	3,243	24,349	-	-	-	-
Convertible debentures (a)	14,692	1,140	1,140	12,412	-	-	-
Total	56,985	13,659	26,574	13,427	990	525	1,811

(a) Includes expected interest payments until maturity date.

Commitments

Consulting Services Agreement

The Company had an exclusive consulting services agreement with a third party whereby they provided various consultative services surrounding the design, buildout and operations of the extraction, processing and manufacturing facility. The consideration consisted of six-monthly fixed fee service-based cash payments estimated to amount to \$138 as well as share-based payments to occur over three tranches beginning on July 3, 2019 and each of the two subsequent one year anniversaries thereafter.

For the year ending December 31, 2019, service-based amounts of \$55 were paid or payable by Decibel.

The shares to be issued over the three tranches approximated \$1 million in total compensation and the quantity of shares to be issued was to be determined by dividing the equivalent dollar amount to be received under the tranche by the five -day weighted average calculation preceding each of the issuance dates.

Effective May 5, 2020, the Company terminated the agreement and any future committed amounts ceased other than an additional service-based payment of approximately \$39.

Equipment Purchases

The Company is committed to aggregate payments of \$395 pertaining to equipment purchases for the production facilities currently in the process of being manufactured or delivered by various suppliers.

Commissions

The Company has a manufacturer's representative agreement with a third party, which entails a commission in the amount of 7.0% of net sales of We Grow in exchange for national sales agency related services. An additional commission of 1.0% is payable if certain targets in the contract are achieved. The contract was entered into on July 30, 2018 and is valid for three years until December 31, 2021. In February of 2020, the Company gave notice of intent to terminate the agreement, and on April 30, 2020, the agreement terminated.

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

Outstanding Share Data

As at the date of this MD&A, the Company had 347.1 million Common Shares outstanding, 30.8 million Common Share purchase warrants outstanding, 5.0 million RSUs outstanding, and 22.4 million stock options outstanding.

Capital

As at December 31, 2019 and December 31, 2018 the Company was authorized to issue:

An unlimited number of Common Shares

An unlimited number of preferred shares

Common Shares held by the Company's founders and the Company's largest shareholder, Thunder Developments Inc., are held in escrow under a staged release schedule which, was initially over a thirty-six month period that commenced January 7, 2019, and which, was decreased to an eighteen-month period from January 7, 2019, in connection with the Company's graduation from a Tier 2 to Tier 1 issuer status on the TSX-V. In addition, the Common Shares issued to former holders of We Grow Common Shares pursuant to the Arrangement, are held in escrow over a twelve-month staged release which commenced on December 20, 2019. Total escrowed shares at December 31, 2019, amount to 188.5 million Common Shares (approximately 55% of the Common Shares outstanding).

Off-Balance Sheet Arrangements

The Company has no off balance sheet arrangements at the year ended in the Consolidated Financial Statements nor as at the date of this MD&A that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

Related Parties

All transactions with related parties are recorded at their fair value.

(a) Compensation of key management personnel

The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company's executive management team as well as Board and related committee directors.

	Three months ended		Year ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	\$	\$	\$	\$
Management and Director cash-based compensation	294	214	675	481
Management and Director shared-based compensation	395	30	837	455
Total	689	244	1,512	936

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

(b) Related party balances

The following related party amounts were included in the consolidated statements of financial position:

	As at December 31, 2019	As at December 31, 2018
	\$	\$
Management and Directors of the Company	-	46
Total	-	46

The amount owing at December 31, 2019 was non-interest bearing, unsecured and due on demand. The amount was repaid in full during the year ended December 31, 2019.

Promissory Notes

In May and June of 2019, promissory notes were issued by We Grow to management and a director of the Company for \$1.0 million in proceeds. The promissory notes were unsecured, with an interest rate of 6% per annum and matured one year from the date of issuance. The amounts were calculated at their fair values using a discounted cash flow method at a rate of 18% resulting in a discount debt liability fair value recognized at the time of \$910. Accretion of \$90 was recognized in the year ending December 31, 2019. Prior to the completion of the Arrangement, We Grow extinguished its promissory notes, including accrued and unpaid interest, in the form of share consideration comprised of Units each consisting of one We Grow Common Share and a We Grow Warrant at a fair value price of \$0.21 per share. The resulting fair value of the consideration provided to extinguish the promissory notes, resulted in the issuance of 6.6 million We Grow Common Shares and 3.3 million We Grow Warrants and a loss on the extinguishment of the financial liability of \$541 which was recognized in the consolidated statements of loss and comprehensive loss in finance costs. The We Grow Common Shares and warrants were subsequently exchanged for Westleaf Shares and warrant to acquire Westleaf Shares at the conversion factor of 4.264 applied in the Arrangement.

Changes in Accounting Policies

New and amended standards and interpretations not yet adopted

New standards or amendments to standards and interpretation not yet effective for the year ended December 31, 2019 and which have not been applied in preparing Consolidated Financial Statements or MD&A are outlined below.

The Company is assessing the impact of any changes on future consolidated financial statements. Any pronouncements that are not applicable or where it has been determined do not have a significant impact to the Company have been excluded herein.

New standards not yet adopted

IFRS 3 Business combinations

On October 22, 2018, the IASB issued amendments to IFRS 3 Business Combinations, which seek to clarify whether a transaction results in an asset or a business acquisition.

The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process.

New standards adopted

IFRS 16 Leases

In January 2016, the IASB issued *IFRS 16 Leases*, which replaces *IAS 17 Leases*. For lessees applying IFRS 16, a single recognition and measurement model for leases applies with required recognition of assets and liabilities for most leases. The standard came into effect for annual periods beginning on or after January 1, 2019.

On January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach. Therefore, the comparative information has not been restated and continues to be reported under *IAS 17 Leases* ("IAS 17") and *IFRIC 4 Determining Whether an Arrangement Contains a Lease* ("IFRIC 4").

The Company's assessment determined a single contract which contained a lease component upon adoption of the new standard resulting in recognition of a \$72 right-of-use asset and lease liability. Retained earnings at January 1, 2019, includes previously recognized expense amounts totalling \$17.

	\$
Net book value of right-of-use assets recognized at December 31, 2018	-
Adoption of IFRS 9 right-of-use assets recognized	72
<u>Right of use assets recognized at January 1, 2019</u>	<u>72</u>
	\$
Operating lease commitment at December 31, 2018	87
Adoption of IFRS 9 lease liabilities recognized	(15)
<u>Lease liabilities recognized at January 1, 2019</u>	<u>72</u>

Lease accounting policy applicable from January 1, 2019:

i. Leases

At the inception of a contract, the Company assesses whether the contract is, or contains a lease. The right to control the use of an identified asset for a period of time in exchange for consideration is the underlying arrangement which is assessed to deem a lease classification. Several criteria are reviewed including:

- whether substantial use of the asset will occur;
- whether substantial economic benefit from the use of the asset will be received; and
- whether the Company has the right to direct use of the asset.

For a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Any leases that are short-term or low-value in nature, are elected under the IFRS 16 guidance to be expensed as the obligation for the consideration to be paid is incurred.

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

ii. Measurement

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is measured at cost and is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred, estimated costs to dismantle the underlying asset and restore the underlying asset or site on which it was located and less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The asset life is determined using the same basis as those for similar assets. Any subsequent remeasurement of the corresponding lease liability would also reduce the asset value as an impairment loss.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease payments included in the measurement of the lease liability includes fixed payments, variable lease payments dependent on an index or rate, expected amounts to be paid under a residual value guarantee and if reasonably certain to exercise, any purchase, termination or renewal option amounts.

Subsequent measurement of the lease liability is at amortized cost using the credit-adjusted effective interest method. Remeasurement occurs when there is a change in the future lease payments arising from changes in the underlying index or rate or if the Company's intentions to purchase, terminate or renew change. A corresponding adjustment is made to the right-of-use asset or else is recorded in the consolidated statement of comprehensive profit and loss if the corresponding asset has a \$nil carrying value.

iii. Short-term leases and low-value asset leases

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases with lease terms of twelve months or less as well as leases of low-value assets.

Critical Accounting Estimates

The preparation of the Company's Consolidated Financial Statements and MD&A in accordance with IFRS requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and revenues and expenses. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Critical judgements, estimates and assumptions that have the most significant effect on the amounts recognized in the Consolidated Financial Statements and MD&A are described below.

Leases

The application of IFRS 16 requires the Company to make judgments that affect the valuation of the right-of-use asset and corresponding lease liability. These include but are not limited to; the determination of the applicable contracts and terms, the discount interest rate, the intent for future options to extend or purchase, the economic useful life of non-current assets as well as the separation of non-lease components.

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

Share-Based Payments

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options and warrants. In estimating fair value, management is required to make certain assumptions and estimates, such as the expected life of options, volatility of the Company's future share price, risk free rate, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

Business Combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert of management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. All acquisitions have been accounted for using the acquisition method. Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for one year from the acquisition date.

Estimated Useful Lives and Depreciation of Property, Plant and Equipment and Intangible Assets

Estimated useful life relates to the expected future performance of the assets acquired and management's estimate of the period over which economic benefit will be derived from the asset. This estimate is used to amortize property, plant and equipment, and intangible assets. The basis for determining the useful life is subject to professional judgement, and actual results may differ.

Deferred Tax Assets

Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Biological Assets

In calculating the fair value of biological assets, management is required to make a number of judgements and estimates, including estimating the stage of growth of the cannabis plants up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plants. In calculating inventory values, management is required to determine an estimate of the obsolete inventory and compares the inventory cost to estimate net realizable value.

Fair Value of Financial Instruments

All financial instruments are required to be recognized at fair value on initial recognition. Subsequent measurement is at amortized cost or fair value depending on the classifications of the financial instruments. Fair value is determined by reference to quoted prices where available and in the absence thereof, internal or external valuation models. These models require assumptions and estimates that may vary significantly from actual results. The judgemental components could include: (a) the values attributed to each component of a transaction at the time of their issuance;

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

and (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis.

Financial Instruments

IFRS requires that the Company disclose information about the fair value of our financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, term loan debt, and Convertible Debentures. Management estimates that the fair value of its cash, accounts receivable, and accounts payable and accrued liabilities approximates their carrying values as at December 31, 2019, due to the relatively short maturity periods of these instruments. Term loan debt approximates fair value as it bears a floating rate of interest. The fair value of the Convertible Debentures as at December 31, 2019, was \$9.9 million.

Cautionary Statement Regarding Certain Non-GAAP Performance Measures

This MD&A contains certain financial performance measures that are not recognized or defined under IFRS (termed "Non-GAAP Measures"). As a result, this data may not be comparable to data presented by other licenced producers and cannabis companies. For an explanation of these measures to related comparable financial information presented in the Consolidated Financial Statements prepared in accordance with IFRS, refer to the discussion below. The Company believes that these Non-GAAP Measures are useful indicators of operating performance and are specifically used by management to assess the financial and operational performance of the Company. These Non-GAAP Measures include, but are not limited, to the following:

- **Adjusted EBITDA:** Adjusted EBITDA is a measure of the Company's financial performance. It is intended to provide a proxy for the Company's operating cash flow and is widely used by industry analysts to compare Decibel to its competitors and derive expectations of future financial performance of the Company. Adjusted EBITDA increases comparability between comparative companies by eliminating variability resulting from differences in capital structures, management decisions related to resource allocation, and the impact of fair value adjustments on biological assets, inventory, and financial instruments, which may be volatile on a period to period basis. Adjusted EBITDA is not a recognized, defined, or standardized measure under IFRS. The Company calculates Adjusted EBITDA as net loss and comprehensive loss excluding unrealized gain on changes in fair value of biological assets, change in fair value of biological assets realized through inventory sold, depreciation and amortization expense, share-based compensation, other income, finance costs, foreign exchange loss, non-cash production costs and severance payments. Non-cash production costs relate to amortization expense allocations included in production costs. Refer to "*Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization*" for a detailed calculation of this measure. The numbers that are input into this calculation can be found in the statement of financial position in the Company's Consolidated Financial Statements.
- **Working Capital:** Working Capital is an indicative measure of the Company's ability to service its short-term financial obligations with short-term assets. Management believes this measure provides useful information about the Company's current short-term liquidity. Refer to "*Liquidity and Capital Resources*" for a detailed calculation of this measure. The numbers that are input into this calculation can be found in the statement of financial position in the Company's Consolidated Financial Statements.

Other MD&A Disclosures

Industry Trends and Risks

The Company's financial position and results of operations are subject to a number of risks and uncertainties. The Company's principal risks are described below.

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

Global Pandemic

The Company may be impacted by business interruptions resulting from pandemics and public health emergencies, including those related COVID-19. COVID-19 or any other pandemics or public health emergencies which could adversely impact the Company by causing operating, manufacturing supply chain, project development delays and disruptions, licensing and approval timeline delays, regulatory issues, labour shortages, travel and shipping disruptions and shutdowns (including as a result of government regulation and prevention measures). It is unknown whether and how the Company may be affected if such a pandemic persists for an extended period of time. The Company may incur additional expenses or delays relating to events outside of its control which could have a material adverse impact on its business, operating results, and financial condition.

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, effect 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.

Ability to Obtain Licences

Decibel's ability to produce cannabis and cannabis oil in Canada from its Thunderchild Cultivation Facility and The Plant is dependent on its Thunderchild Cultivation Facility becoming a licenced producer, and The Plant receiving a licence for the sale of dried cannabis products and cannabis extract products. Any changes to the Company's applications (e.g., changes in key personnel, officers, directors, or physical security measures, etc.) may result in additional processing times. The quality, completeness, and complexity of licence applications are key variables affecting application processing times. There are a significant number of applications currently in the review stage. The timeline of the applications cannot be predicted. However, it may take several months for file review and communications with the case manager for additional information and clarifications to support the applications.

Reliance on Licences

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 oil from its Thunderchild Cultivation Facility, Creston Facility and The Plant to the public in Canada is dependent on its ability to obtain the applicable licence(s) pursuant to the 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

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

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.

Difficulty to Forecast

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.

Risks of Undeveloped Retail Store Locations

Decibel's undeveloped retail locations depend on Decibel's ability to secure attractive real estate in areas with zoning that is compliant with governmental regulations and bylaws at what it believes to be economic terms. The Company faces competition for retail locations from other companies in the industry as well as other retail businesses attempting

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

to secure retail locations. There can be no guarantee that Decibel will attain more retail locations or licences nor that the locations which it does attain will continue to be attractive or economic. Decibel may lease or purchase buildings or spaces to serve as retail locations and these leases and purchases may cause Decibel to incur future liabilities. There is no assurance that retail leases obtained will be able to be renewed at economic terms. There is no assurance that undeveloped retail locations will be developed, and if developed, will produce the same results as retail locations the Company is currently operating.

Decibel undeveloped retail locations are targeted towards a large and diverse customer base to achieve its desired revenues. Decibel is working towards identifying and providing products that appeal to such a customer base in an effort to achieve these desired revenues. Decibel's ability to attract customers is dependent on a number of factors including but not limited to offering high quality products at competitive prices, the strength of its competitors and the abilities of its sales and marketing teams. The failure of Decibel to attract new customers or to obtain new business from existing customers may mean that Decibel will not increase its revenues as quickly as is anticipated, if at all.

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 their respective 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 they will successfully implement their 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 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.

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*".

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.

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

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.

Reliance on a Small Number of Facilities

The Company has one operational cultivation facility and an additional cultivation facility and extraction processing facility under development. 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.

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

Key Personnel

Decibel is highly dependent on the ability, expertise, judgement, discretion and good faith of our 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.

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.

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.

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

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

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.

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.

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.

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.

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.

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

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.

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 can not 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 the Consolidated Financial Statements and materially adversely affect the perceived value of Decibel or its ability to access capital markets.

Market Price of Securities

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors included macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the Common

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

Shares is also likely to be significantly affected by short-term changes in the Canadian dollar, and the Company's financial condition or results of operations as reflected in its financial statements. Other factors unrelated to the performance of the Company that may have an effect on the price of the Common Shares include, but are not limited to, the following: the extent of analytical coverage available to investors concerning the business of the Company may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of Common Shares; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Company's securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity.

As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the long-term value of the Company. Class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Volatile Share Price

The price of Common Shares is expected to be highly volatile and could be drastically affected by governmental and regulatory regimes and community support for the recreational cannabis industry. Decibel cannot predict the results of its operations expected to take place in the future. The results of these activities will inevitably affect Decibel's decisions related to future operations and will likely trigger major changes in the trading price of Common Shares.

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.

Risks Inherent in 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.

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.

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

Protection of Intellectual Property Rights

The future success of Decibel's business is dependent upon the intellectual property rights surrounding certain technology held by Decibel, including trade secrets, know-how and continuing product innovation. Although Decibel seeks to protect proprietary rights, their actions may be inadequate to protect any proprietary rights or to prevent others from claiming violations of their proprietary rights. There can be no assurance that other companies are not investigating or developing other products that are similar to the products of Decibel. In addition, effective intellectual property protection may be unenforceable or limited in certain countries. Any of these claims, with or without merit, could subject Decibel to costly litigation. If the protection of proprietary rights is inadequate to prevent unauthorized use or appropriation by third parties, the value of Decibel's intangible assets may be diminished. Any of these events could have an adverse effect on Decibel's business and financial results.

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.

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 Credit Facilities to fund certain projects. The Credit Facilities specify a rate at which Decibel must pay interest to the counterparty on funded amounts. This interest rate 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.

Decibel is required under the terms of certain Credit Facilities, to hedge its interest rate exposure for portions of future credit facility draw amounts.

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

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.

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.

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.

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 subject to approval of the Board of Directors and, in the event of any such issuance, shareholders will have no pre-emptive rights associated with the issuance.

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

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

implement its business plan. If the Company does not achieve high enough revenues to offset this higher cost base it will not be profitable.

Environmental Regulations and Risks

The Company's current and future operations are subject to the environmental regulations of the jurisdictions in which they operate. 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.

Seasonality of the Business

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

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.

Foreign Currency Risk

Decibel will be subject to risks and losses resulting from fluctuations in the relative value of the currencies of different countries where its customers, suppliers and operations are located. While Decibel will attempt to be prudent in managing such foreign exchange risks, there can be no assurance that shareholders will not suffer losses in the future. Any such losses could have a material adverse impact on results of operations and cash available to support operations.

Dividends

Any decision to declare and pay dividends in the future will be made at the discretion of the Board of Directors 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 of directors may deem relevant. As a result, investors may

DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the years ended December 31, 2019 and December 31, 2018

(In thousands of Canadian dollars, except share and per share amounts, and where otherwise noted)

not receive any return on an investment in the Common Shares unless they sell their shares of Decibel 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.