

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada other than Québec but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request, without charge, from the Chief Financial Officer of the Corporation (as defined herein) at 1440, 140 4th Avenue SW Calgary, Alberta, T2P 3N3, telephone: 1 (780) 609-0310, and are also available electronically at www.sedar.com.

The securities offered hereunder have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or the securities laws of any state of the United States (as defined in Regulation S under the 1933 Act) (the "United States"). Accordingly, these securities may not be offered or sold to, or for the account or benefit of, persons within the United States or U.S. persons (as defined in Regulation S under the 1933 Act) ("U.S. Persons") except in transactions exempt from the registration requirements of the 1933 Act and applicable U.S. state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See "Plan of Distribution".

Preliminary Short Form Prospectus

New Issue

September 1, 2021



Decibel Cannabis Company Inc.

\$13,050,000
45,000,000 Units

This short form prospectus of Decibel Cannabis Company Inc. (the "**Corporation**" or "**Decibel**") qualifies the distribution (the "**Offering**") of 45,000,000 units of the Corporation (the "**Offered Units**") at a price of \$0.29 per Offered Unit (the "**Offering Price**"). Each Offered Unit consists of one common share of the Corporation (a "**Unit Share**") and one-half of one common share purchase warrant (each whole common share purchase warrant, a "**Warrant**"). Each Warrant will entitle the holder thereof to purchase one common share of the Corporation (each, a "**Warrant Share**") at a price of \$0.40 per Warrant Share at any time until 5:00 p.m. (Calgary time) on the date that is 36 months following the Closing Date (as defined herein). The Warrants will be governed by a warrant indenture (the "**Warrant Indenture**") to be entered into on or before the Closing Date between the Corporation and Odyssey Trust Company, as warrant agent (the "**Warrant Agent**"). This short form prospectus also qualifies the distribution of the Unit Shares and the Warrants included in the Offered Units.

The outstanding common shares of the Corporation (the "**Common Shares**") are listed and posted for trading on the TSX Venture Exchange (the "**TSXV**") under the symbol "DB". On August 25, 2021, the last trading day prior to the public announcement of the Offering, the closing price of the Common Shares on the TSXV was \$0.335 per Common Share. On August 31, 2021, the last trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the TSXV was \$0.27 per Common Share.

Price: \$0.29 per Offered Unit

A syndicate of underwriters co-led by Eight Capital, Raymond James Ltd. and Haywood Securities Inc. (collectively, the "**Underwriters**") have severally agreed to purchase the Offered Units from the Corporation at the Offering Price, on or before a date not later than 42 days after the date of the receipt for the final short form prospectus, subject to the terms and conditions of the Underwriting Agreement (as defined herein). The Offering Price was determined by arm's length negotiation between the Corporation and the Underwriters with reference to the prevailing market price of the Common Shares.

| | <u>Price to the Public</u> | <u>Underwriters' Fee⁽¹⁾</u> | <u>Net Proceeds to the Corporation⁽²⁾</u> |
|-------------------------------------|----------------------------|--|--|
| Per Offered Unit | \$0.29 | \$0.017 | \$0.273 |
| Total Offering ⁽³⁾ | \$13,050,000 | \$783,000 | \$12,267,000 |

- (1) Upon closing of the Offering, the Corporation will pay to the Underwriters a cash commission equal to 6% of the gross proceeds of the Offering and that number of compensation warrants (the "**Broker Warrants**") equal to 6% of the number of Offered Units sold pursuant to the Offering (including any Over-Allotment Units (as defined below)) (collectively, the "**Underwriters' Fee**"). Each Broker Warrant will entitle the holder thereof to purchase one Common Share (each, a "**Broker Warrant Share**") at a price of \$0.29 per Broker Warrant Share at any time until 5:00 p.m. (Calgary time) on the date that is 24 months following the Closing Date. See "*Description of Securities Being Distributed*" and "*Plan of Distribution*".
- (2) Before deducting expenses of the Offering, estimated to be approximately \$350,000, which, together with the cash portion of the Underwriters' Fee, will be paid from the proceeds of the Offering.
- (3) The Corporation has granted to the Underwriters an option (the "**Over-Allotment Option**"), exercisable in whole or in part, from time to time, for a period of 30 days from and including the Closing Date, to purchase up to an additional 6,750,000 Offered Units (the "**Over-Allotment Units**") to cover over-allotments, if any, and for market stabilization purposes, comprised of 6,750,000 additional Unit Shares (the "**Over-Allotment Unit Shares**") and 3,375,000 additional Warrants (the "**Over-Allotment Warrants**" and, together with the Over-Allotment Units and the Over-Allotment Unit Shares, the "**Over-Allotment Securities**"), representing 15% of the number of Offered Units sold under the Offering. The Over-Allotment Option may be exercised by the Underwriters in respect of: (a) Over-Allotment Units at the Offering Price; (b) Over-Allotment Unit Shares at a price of \$0.28 per Over-Allotment Unit Share; (c) Over-Allotment Warrants at a price of \$0.02 per Over-Allotment Warrant; or (d) any combination of Over-Allotment Securities so long as the aggregate number of Over-Allotment Unit Shares and Over-Allotment Warrants that may be issued under the Over-Allotment Option does not exceed 6,750,000 Over-Allotment Unit Shares and 3,375,000 Over-Allotment Warrants, respectively. The Over-Allotment Warrants will have the same terms as the Warrants. If the Over-Allotment Option is exercised in full with the Underwriters electing to receive only Over-Allotment Units, the total "*Price to the Public*", "*Underwriters' Fee*" and "*Net Proceeds to the Corporation*" (after deducting the cash portion of the Underwriters' Fee but before deducting expenses of the Offering) will be \$15,007,500, \$900,450 and \$14,107,050, respectively. This short form prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Over-Allotment Securities. A purchaser who acquires Over-Allotment Securities forming part of the Underwriters' over-allocation position acquires those securities under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The following table sets out the number of securities that may be issued to the Underwriters pursuant to the Over-Allotment Option and pursuant to the Broker Warrants.

| <u>Underwriters' Position</u> | <u>Maximum Size or Number of Securities Available</u> | <u>Exercise Period</u> | <u>Exercise Price</u> |
|--------------------------------------|--|---|--------------------------------------|
| Over-Allotment Option ⁽¹⁾ | Up to 6,750,000 Over-Allotment Units, consisting of 6,750,000 Over-Allotment Unit Shares and 3,375,000 Over-Allotment Warrants | For a period of 30 days from and including the Closing Date | \$0.29 per Over-Allotment Unit |
| | | | \$0.28 per Over-Allotment Unit Share |
| | | | \$0.02 per Over-Allotment Warrant |
| Broker Warrants ⁽²⁾⁽³⁾ | 2,700,000 Common Shares | Exercisable for 24 months after closing of the Offering | \$0.29 per Broker Warrant |

- (1) This short form prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Over-Allotment Securities. See "*Plan of Distribution*".
- (2) Assumes the Over-Allotment Option is not exercised.
- (3) This short form prospectus qualifies the distribution of the Broker Warrants. See "*Plan of Distribution*".

The Underwriters, as principals, conditionally offer the Offered Units and the Over-Allotment Securities, subject to prior sale, if, as and when issued by the Corporation and accepted by the Underwriters in accordance with the

conditions contained in the Underwriting Agreement (see "*Plan of Distribution*") and subject to the approval of certain legal matters on behalf of the Corporation by Burnet, Duckworth & Palmer LLP and on behalf of the Underwriters by Stikeman Elliott LLP.

The Corporation has been advised by the Underwriters that, in connection with the Offering and subject to applicable laws, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. **The Underwriters may offer the Offered Units and the Over-Allotment Securities to the public at a price lower than that stated above. See "*Plan of Distribution*".**

Unless the context otherwise requires, when used herein, all references to: (a) "Offered Units" include the Over-Allotment Units (b) all references to "Unit Shares" include the Over-Allotment Unit Shares; (c) all references to "Warrants" include the Over-Allotment Warrants; (d) all references to "Warrant Shares" include: (i) the Common Shares issuable upon exercise of the Over-Allotment Warrants; and (ii) the Broker Warrant Shares; (e) all references to "Broker Warrants" include the Broker Warrants issuable upon exercise of the Over-Allotment Option; and (f) all references to "Broker Warrant Shares" include the Broker Warrant Shares issuable upon exercise of the Broker Warrants issued in connection with the exercise of the Over-Allotment Option.

The Corporation has applied to list the Unit Shares, Warrants and Warrant Shares on the TSXV. Listing of the Unit Shares, Warrants and Warrant Shares will be subject to the Corporation fulfilling all of the listing requirements of the TSXV. Listing of the Warrants on the TSXV is not a condition of closing of the Offering, and it is possible that the Warrants may not be listed. **There is currently no market through which the Warrants offered hereby may be sold and purchasers of the Warrants may not be able to resell the Warrants purchased under this short form prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants, and the extent of issuer regulation. See "*Risk Factors*".**

Subscriptions will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. It is expected that the closing of the Offering will take place on or about September 16, 2021 (the "**Closing Date**") or on such later date as the Corporation and the Underwriters may agree, but in any event on or before a date not later than 42 days after the date of the receipt for the final short form prospectus. Registrations and transfers of the Unit Shares and Warrants will be effected electronically through the non-certificated inventory ("**NCI**") system administered by CDS Clearing and Depository Services Inc. ("**CDS**"). Beneficial owners of Unit Shares and Warrants will not, except in certain limited circumstances, be entitled to receive physical certificates evidencing their ownership of the Unit Shares and Warrants. Notwithstanding the foregoing, Unit Shares and Warrants sold to "accredited investors" (as defined in Rule 501(a) of Regulation D under the 1933 Act) will be represented by definitive certificates registered in the names of such purchasers. No person is authorized to provide any information or make any representation in connection with the Offering, other than as contained in this short form prospectus. See "*Plan of Distribution*".

An investment in the Offered Units and/or the Over-Allotment Securities is subject to a number of risks that should be considered by prospective investors. See the risk factors set forth under "*Risk Factors*" in this short form prospectus and the documents incorporated by reference herein for a discussion of factors that should be considered by prospective investors and their advisers in assessing the appropriateness of an investment in the Offered Units and/or the Over-Allotment Securities.

Odyssey Trust Company, at its office in Calgary, Alberta, is the transfer agent for the Common Shares. See "*Transfer Agent*".

The Corporation's head office is located at 1440, 140th Avenue SW Calgary, Alberta, T2P 3N3 and its registered office is located at 2400, 525 – 8th Avenue S.W., Calgary, Alberta, T2P 1G1.

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GENERAL MATTERS

In this short form prospectus, "**the Corporation**", "**we**", "**us**" and "**our**" refer collectively to the Corporation and its affiliates, unless the context otherwise requires. All references in this short form prospectus to "**dollars**" or "**\$**" are to Canadian dollars unless otherwise noted.

Prospective purchasers should rely only on the information contained or incorporated by reference in this short form prospectus. The Corporation and the Underwriters have not authorized any person to provide prospective purchasers with additional or different information. If anyone provides prospective purchasers with additional or different or inconsistent information, including information or statements in media articles about the Corporation, prospective purchasers should not rely on it. The Corporation and the Underwriters are not making an offer to sell or seeking offers to buy the Offered Units and/or the Over-Allotment Securities in any jurisdiction where the offer or sale is not permitted. Prospective purchasers should assume that the information appearing or incorporated by reference in this short form prospectus is accurate only as at its date, regardless of its time of delivery or of any sale of the Offered Units and/or the Over-Allotment Securities. The Corporation's business, financial condition, results of operations and prospects may have changed since that date.

PRESENTATION OF FINANCIAL INFORMATION

The financial statements of the Corporation incorporated by reference in this short form prospectus are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This short form prospectus and the documents incorporated by reference herein, contain "forward-looking statements" and "forward-looking information" (collectively, "**forward-looking statements**") within the meaning of applicable Canadian securities laws. All statements, other than statements of historical facts, included in this short form prospectus and in the documents incorporated by reference herein that addresses activities, events or developments that the Corporation expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements include, but are not limited to, statements about the Corporation's objectives and strategies, the anticipated use of proceeds of the Offering including the components and timing thereof, the anticipated Closing Date and the total cash consideration and transactions costs in respect thereof, the outlook for the Corporation's businesses, the expected continuance of the COVID-19 pandemic effects and the Corporation's expectations regarding its compliance and planned actions in respect of the Commitment Letter. Forward-looking statements are typically identified by the words "believe", "expect", "anticipate", "intend", "estimate", "may increase", "may impact", "goal", "focus", "potential", "proposed" and other similar expressions, or future or conditional verbs such as "will", "should", "would" and "could".

By their very nature, forward-looking statements involve numerous assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that management's predictions, forecasts, projections, expectations and conclusions will not prove to be accurate, that its assumptions may not be correct and that its strategic goals will not be achieved.

Although the forward-looking statements contained in this short form prospectus and in the documents incorporated by reference herein are based upon assumptions that management believes are reasonable based on information currently available to management, there can be no assurance that actual results will be consistent with these forward-looking statements. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond the Corporation's control, and may cause actual results to differ materially from the expectations expressed in the forward-looking statements. These factors include, but are not limited to, general business and economic conditions in the markets in which the Corporation operates, including changes in political conditions, legislative and regulatory developments, legal developments, the impact of the COVID-19 pandemic on the Corporation's business and operations, the level of competition, the occurrence of natural catastrophes, changes in accounting standards and policies, the ability to attract and retain key personnel, changes in technology, fluctuating results of operation and fluctuation of foreign exchange rates, the ability to realize on the Corporation's business plan, reliance on third parties to, timely development and introduction of new products, and management's ability to anticipate and manage the risks associated with these factors. It is important to note that the preceding list is not exhaustive of possible factors.

Additional information about these factors can be found in the "Risk Factors" sections of this short form prospectus and the 2020 MD&A and the 2020 Annual Information Form (each as defined herein) incorporated by reference herein. These and other factors should be considered carefully, and readers are cautioned not to place undue reliance on these forward-looking statements as a number of important factors could cause the Corporation's actual results to differ materially from the expectations expressed in such forward-looking statements. The forward-looking statements in this short form prospectus are made as of the date of this short form prospectus, and unless required by law, the Corporation does not undertake, and does not assume any obligation, to update any forward-looking statement.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents have been filed with the securities regulatory authorities in each province of Canada other than Québec and are specifically incorporated by reference into, and form an integral part of, this short form prospectus:

- (a) the Corporation's annual information form for the year ended December 31, 2020 dated August 20, 2021 (the "**2020 Annual Information Form**");
- (b) the Corporation's audited consolidated financial statements for the years ended December 31, 2020 and 2019 and the notes thereto, together with the auditor's report thereon (the "**2020 Audited Financial Statements**");
- (c) the Corporation's management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2020 (the "**2020 MD&A**");
- (d) the Corporation's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2021 and 2020, together with the notes thereto (the "**2021 Interim Financial Statements**");
- (e) the Corporation's management's discussion and analysis of financial condition and results of operations for the three and six months ended June 30, 2021 (the "**2021 Interim MD&A**");
- (f) the Corporation's management information circular and proxy statement dated October 20, 2020 in connection with the annual and special meeting of shareholders of the Corporation held on November 24, 2020;
- (g) the Corporation's management information circular and proxy statement dated May 19, 2021 in connection with the annual meeting of shareholders of the Corporation held on June 10, 2021; and
- (h) the template version of the term sheets for the Offering dated August 26, 2021 and August 27, 2021 (the "**Term Sheets**").

Any documents of the type described in Section 11.1 of Form 44-101F1 – *Short Form Prospectus* filed by the Corporation with the various securities commissions or similar authorities in Canada pursuant to the requirements of applicable securities legislation after the date of this short form prospectus and prior to the completion of the distribution under the Offering are deemed to be incorporated by reference in this short form prospectus.

Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference in this short form prospectus will be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein or therein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is

necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

MARKETING MATERIALS

Any "template version" of any "marketing materials" (as such terms are defined under applicable Canadian securities laws) that is used by the Underwriters in connection with the Offering does not form a part of this short form prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this short form prospectus. Any template version of any marketing materials that has been, or will be, filed under the Corporation's profile on SEDAR at www.sedar.com before the completion of the distribution under the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated by reference into this short form prospectus.

The Term Sheets are not a part of this short form prospectus to the extent that the contents of the Term Sheets have been modified or superseded by a statement contained in this short form prospectus.

ELIGIBILITY FOR INVESTMENT

In the opinion of Burnet, Duckworth & Palmer LLP, counsel to the Corporation, and Stikeman Elliott LLP, counsel to the Underwriters, based on the current provisions of the *Income Tax Act* (Canada) and the regulations thereunder (collectively, the "**Tax Act**"), the Unit Shares, Warrants and Warrant Shares will be qualified investments at the time of acquisition by a trust governed by a registered retirement savings plan ("**RRSP**"), registered retirement income fund ("**RRIF**"), deferred profit sharing plan, registered education savings plan ("**RESP**"), registered disability savings plan ("**RDSP**"), or a tax-free savings account ("**TFSA**"), each as defined in the Tax Act (each a "**Plan**") provided that, at the time of the acquisition by the Plan; (a) in the case of the Unit Shares and Warrant Shares, the Common Shares are listed on a "designated stock exchange" as defined in the Tax Act, (which includes the TSXV) or the Corporation qualifies as a "public corporation" as defined in the Tax Act; and (b) in the case of the Warrants, the Common Shares are qualified investments for purposes of the Tax Act and neither the Corporation, nor any person with whom the Corporation does not deal at arm's length for the purposes of the Tax Act, is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the particular Plan.

Notwithstanding that the Unit Shares, Warrants or Warrant Shares may be qualified investments for a Plan, the holder of a TFSA or RDSP, the annuitant of an RRSP or RRIF, or the subscriber of an RESP will be subject to a penalty tax on the Unit Shares, Warrants or Warrant Shares if the Unit Shares, Warrants or Warrant Shares are a "prohibited investment" (as defined in the Tax Act) for the TFSA, RDSP, RRSP, RRIF or RESP, as the case may be. The Unit Shares, Warrants or Warrant Shares generally will not be a "prohibited investment" if the holder of a TFSA or RDSP or the annuitant of an RRSP or RRIF, or the subscriber of an RESP, as the case may be, deals at arm's length with the Corporation for purposes of the Tax Act and does not have a "significant interest" (as defined in the Tax Act for purposes of the prohibited investment rules) in the Corporation. In addition, Unit Shares, Warrants or Warrant Shares will not be a "prohibited investment" if the Unit Shares, Warrants or Warrant Shares are "excluded property" (as defined in the Tax Act) for trusts governed by such RRSP, RRIF, TFSA, RDSP or RESP.

Prospective purchasers who intend to hold Unit Shares, Warrant Shares or Warrants in trusts governed by Plans should consult their own tax advisors in regard to the application of these rules under the Tax Act in their particular circumstances.

BUSINESS OF THE CORPORATION

The Corporation is headquartered in Calgary, Alberta. Decibel is a vertically integrated cannabis company focused on premium products. The three main components of the Corporation's business are: (a) recreational cannabis cultivation, processing, and sale of cannabis flower products; (b) extraction, processing, and manufacturing of a variety of recreational cannabis derivative products; and (c) recreational cannabis retail. Decibel has two cannabis production facilities in Western Canada. Decibel has a Health Canada licensed 26,000 square foot cultivation, processing and distribution facility consisting of 14,000 square feet of dedicated grow areas and 12,000 square feet of production support areas located in Creston, British Columbia (the "**Creston Facility**"). The Corporation has a second Health

Canada licensed production facility with 80,000 square feet of indoor cultivation, packaging and processing space, located in Battleford, Saskatchewan (the "**Thunderchild Cultivation Facility**"). The principal products produced and sold by the Corporation are ultra-premium cannabis flower and cannabis pre-rolls, and, on occasion, bulk amounts of cannabis biomass to other licensed producers in Canada.

The Corporation has a large-scale cannabis extraction, processing, and manufacturing facility consisting of 15,000 square feet of Health Canada licensed space, located in Calgary, Alberta (the "**Plant**"). Decibel engages in processing, manufacturing, and packaging activities at the Plant. Currently, the Corporation sells vape pens and cannabis extracts (also known as concentrates) from the Plant. Decibel also has a portfolio of six retail locations across Alberta and Saskatchewan. Decibel's brands are Qwest, Qwest Reserve, Blendcraft, General Admission and Pressed by Qwest.

The Corporation has been involved in multiple reorganizations including the December 20, 2019 We Grow BC Ltd. arrangement which constituted a reverse takeover of Westleaf Inc. ("**Westleaf**"). In addition, 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 Corporation changing to "Decibel Cannabis Company Inc."

RECENT DEVELOPMENTS

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

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

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

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

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

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

On August 31, 2021, Decibel announced its expansion into the Province of New Brunswick, following approval from Cannabis NB, the province's legal recreational cannabis retailer.

USE OF PROCEEDS

The net proceeds to the Corporation from the Offering are estimated to be \$11,917,000 (before giving effect to any exercise of the Over-Allotment Option), after deducting the cash portion of the Underwriters' Fee and the estimated expenses of the Offering.

The Corporation intends to use the net proceeds of the Offering as follows:

- Approximately \$2,100,000 over the next eight months for the construction of a processing hub at the Plant and associated equipment to: (a) centralize all post-harvest activities relating to the production and packaging of dry flower and pre-roll offerings; and (b) convert concentrate, vape, dry flower, and pre-roll production lines largely into automated manufacturing and packaging;

- Approximately \$3,000,000 over the next eight months for the construction, purchase and installation of equipment at the Plant relating to: (a) butane extraction; (b) solventless extraction; (c) post-processing equipment related to the production of concentrate, vape, and other products. To support this initiative, the Corporation is partnered with UCG for the design and operationalization of such equipment and processes;
- Approximately \$500,000 over the next eight months for the construction of a tissue culture lab at the Creston Facility to: (a) improve plant health and quality; and (b) begin development of new cultivars;
- Approximately \$1,550,000 over the next twelve months for infrastructure improvement initiatives including: (a) various infrastructure improvements at the Creston Facility to support plant health, quality and yields; (b) various infrastructure improvements at the Thunderchild Cultivation Facility to support plant health, quality and yields; and (c) business intelligence and information technology improvements across all facilities;
- Approximately \$2,000,000 over the next four months for product development initiatives including expanding: (a) the Corporation's brand of products; (b) the Corporation's concentrate offerings; (c) the Corporation's vape offerings; and (d) the Corporation's dry flower and pre-roll offerings. To support these initiatives, the Corporation is making the necessary investments in the above capital projects and is partnered with organizations to develop these products and increase its brand offerings; and
- The balance of the net proceeds of the Offering for working capital and general corporate purposes.

If the Over-Allotment Option is exercised (assuming the Underwriters elect to receive only Over-Allotment Units), the Corporation will receive additional net proceeds of up to approximately \$1,840,050 after deducting the cash portion of the Underwriters' Fee. The net proceeds from the exercise of the Over-Allotment Option, if any, are expected to be used for working capital and general corporate purposes. The Corporation had negative cash flow for the financial year ended December 31, 2020 and for the three and six months ended June 30, 2021. The Corporation does not expect to use any of the net proceeds of the Offering to fund negative cash flow from operations. To the extent that the Corporation has negative operating cash flow in future periods, it will need to allocate a portion of its cash (including the net proceeds from the Offering) to fund such negative cash flow. See "Risk Factors".

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Corporation as at June 30, 2021 before and after giving effect to the Offering. This table should be read in conjunction with the 2021 Interim Financial Statements and the 2021 Interim MD&A.

| | As at June 30, 2021 (\$000) | As at June 30, 2021 after giving effect to the Offering (\$000) ⁽¹⁾ |
|---|---------------------------------------|--|
| Loan Capital ⁽²⁾⁽³⁾⁽⁴⁾ | 46,180 | 46,180 |
| Share Capital ⁽⁵⁾ | 43,758 (351,572,732 Common Shares) | 55,675 (396,572,732 Common Shares) |
| Total Capitalization⁽⁶⁾ | 89,938 | 101,855 |

Notes:

- (1) Takes into account the cash portion of the Underwriters' Fee and the estimated expenses of the Offering, but does not take into account any exercise of the Over-Allotment Option or the exercise of any Warrants or Broker Warrants.
- (2) As of June 30, 2021, the Loan Capital consisted of term loans in the aggregate principle amount of approximately \$27,563,000 pursuant to the Commitment Letter (collectively, the "Term Loans"), the Authorized Overdraft of approximately \$7,499,000 pursuant to the Commitment Letter and convertible debentures of the Corporation in the aggregate principal amount of approximately \$11,118,000 (the "Convertible Debentures" and, together with the Term Loans and Authorized Overdraft, the "Loan Capital"). As at August 31, 2021, the Corporation and Connect First agreed in principle to increase its Authorized Overdraft to approximately \$9,499,000. The Term

Loans include the Corporation's term debt which have a five-year term with a maturity date of December 1, 2025. Principal repayments vary by facility and are based on ten-year amortization periods. Advances under the Commitment Letter may be made by way of Canadian prime rate loans and letters of credit. The Term Loans bear interest at a fixed rate of 4.75% per annum, calculated daily, payable monthly in arrears. The Authorized Overdraft interest rate is prime plus 1.00% per annum, calculated daily, payable monthly in arrears. The Commitment Letter imposes a number of positive and negative covenants on the Corporation, including the maintenance of certain financial covenants which are tested at each reporting date. They include the maintenance of a debt service coverage ratio which is required to be a minimum of 1.4 to 1, tested annually and calculated as earnings before interest, tax, depreciation and amortization for the current year, less dividends declared or any shareholder distributions, divided by the sum of all scheduled principal and interest paid by the Corporation within the same period on all Connect First and third-party loans. The Corporation must also maintain a debt to equity ratio of not greater than 0.75 to 1 at the end of the 2021 fiscal year and 0.5 to 1 going forward. The Corporation must maintain a current ratio of not less than 1.25 to 1, to be tested monthly and calculated as the Corporation's current assets divided by the current liabilities. As at June 30, 2021, the Corporation was in compliance with these financial covenants with a current ratio of 1.36:1.00.

- (3) The Convertible Debentures consist of unsecured convertible debentures with a face value of \$12.0 million. The Convertible Debentures will mature and be repayable May 10, 2022, to the extent this liability is not converted and exercised into Common Shares. Due to their unsecured and subordinated position to Connect First, they are excluded from all ratio calculations.
- (4) As at August 31, 2021, the Corporation was indebted under the Loan Capital in the aggregate amount of approximately \$46 million.
- (5) As at June 30, 2021, the Corporation had 12,805,520 Common Share purchase warrants outstanding. As at June 30, 2021, the Corporation had 38,110,767 options to purchase Common Shares ("**Options**") outstanding pursuant to the Corporation's stock option plan (the "**Option Plan**"). As at August 31, 2021, 40,533,654 Options were outstanding for exercise for a like number of Common Shares issued under the Option Plan. The Options are exercisable at exercise prices ranging from \$0.09 to \$0.50 per Common Share and expire five years from the date of grant or earlier dependent upon the occurrence of certain events. As at June 30, 2021, the Corporation had 2,048,336 restricted share units ("**RSUs**") outstanding pursuant to the Corporation's restricted share unit plan ("**RSU Plan**"). As at August 31, 2021, the Corporation had 2,048,336 RSUs outstanding for exercise for a like number of Common Shares issued under the RSU Plan. See "*Prior Sales*". Assumes the Convertible Debentures are repaid in cash and not converted, if the all the Converted Debentures are converted at the current conversion price of \$0.45 per Common Share, approximately an additional 26,666,666 Common Shares would be issued and outstanding.
- (6) Other than as set forth herein, there have been no material changes to the consolidated capitalization of the Corporation since June 30, 2021.

Assuming the successful completion of the Offering, the share capital of the Corporation will increase by \$11,917,000 (or \$13,757,050 if the Over-Allotment Option is exercised in full with the Underwriters electing to receive only Over-Allotment Units) after deducting the cash portion of the Underwriters' Fee and the estimated expenses of the Offering, and an additional 45,000,000 Common Shares (or 51,750,000 Common Shares if the Over-Allotment Option is exercised in full with the Underwriters electing to receive only Over-Allotment Units and/or Over-Allotment Unit Shares) will be issued and outstanding. If all of the Warrants are exercised, the share capital of the Corporation will increase by \$9,000,000 (or \$10,350,000 if the Over-Allotment Option is exercised in full with the Underwriters electing to receive only Over-Allotment Units and all Over-Allotment Warrants are exercised) and an additional 22,500,000 Common Shares (or 25,875,000 Common Shares if the Over-Allotment Option is exercised in full with the Underwriters electing to receive only Over-Allotment Units and all Over-Allotment Warrants are exercised) will be issued and outstanding.

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

The authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares of the Corporation (the "**Preferred Shares**"). As at August 31, 2021, there were 351,962,345 Common Shares and nil Preferred Shares issued and outstanding.

The Preferred Shares are issuable in series and may contain the rights, privileges and restrictions as determined by the Board at the time of any issuance. With respect to the payment of dividends or the distribution of assets in the event of liquidation, dissolution, bankruptcy or winding-up of the Corporation, preferred shareholders are entitled to preference over the holders of Common Shares and over any other shares of the Corporation ranking by their terms junior to the Preferred Shares.

Description of the Units

Each Offered Unit consists of one Unit Share and one-half of one Warrant. The following is a summary of the rights, privileges, restrictions and conditions attached to such securities.

Description of the Common Shares

The following is a summary of the rights, privileges, restrictions and conditions of or attaching to the Common Shares. For a full description of the terms and provisions, see the Corporation's constating documents, which are available electronically at www.sedar.com.

Each Common Share entitles the holder to receive notice of and to attend all meetings of the shareholders of the Corporation and to one vote at such meetings. The holders of Common Shares are entitled to receive any dividends declared by the Board on the Common Shares, provided that the Corporation shall be entitled to declare dividends on the Preferred Shares, or on any of such class of shares without being obliged to declare any dividends on the Common Shares. The holders of Common Shares will be entitled to share equally in any distribution of the assets of the Corporation upon the liquidation, dissolution, bankruptcy or winding-up of the Corporation or other distribution of its assets among the shareholders for the purpose of winding-up its affairs.

Description of the Warrants

The following is a summary of the material attributes and characteristics of the Warrants. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Warrant Indenture, which will be filed with the applicable Canadian securities regulatory authorities and available on SEDAR at www.sedar.com as of the Closing Date.

General

Each whole Warrant will be transferable and will entitle the holder thereof to acquire one Warrant Share at an exercise price of \$0.40 prior to 5:00 p.m. (Calgary time) for a period of 36 months following the Closing Date, subject to adjustment in certain customary events, after which time the Warrants will expire.

Holders of the Warrants will, in their capacity as holders, have: (a) no voting rights or pre-emptive rights or any other rights conferred upon a person as a result of being a holder of Common Shares, including, but not limited to, the right to vote at, to receive notice of, or to attend, meetings of the Corporation's shareholders or any other proceedings of the Corporation, or the right to receive dividends and other allocations; (b) no right to receive dividends paid on the shares of the corporation; and (c) no right to share in the assets of the Corporation in the event of its liquidation, dissolution or the winding up; in the event a bankruptcy or reorganization is commenced by or against the Corporation, a bankruptcy court may hold that unexercised Warrants are executory contracts which may be subject to rejection by the Corporation with approval of the bankruptcy court, and the holders of the Warrants may, even if sufficient funds are available, receive nothing or a lesser amount as a result of any such bankruptcy case than they would be entitled to if they had exercised their Warrants prior to the commencement of any such case.

The Warrants will be issued under and governed by the Warrant Indenture to be entered into on the Closing Date between the Corporation and Odyssey Trust Company, as Warrant Agent. The Corporation will appoint the principal transfer office of Odyssey Trust Company of Calgary, Alberta, or such other place as may be designated in accordance with the Warrant Indenture, as the location at which the Warrants may be surrendered for exercise, transfer or exchange. Under the Warrant Indenture, the Corporation may, subject to applicable law, purchase by private contract or otherwise, any of the Warrants then outstanding, and any Warrants so purchased will be cancelled.

Adjustment

The Warrant Indenture will provide for adjustment in the number of Warrant Shares issuable upon the exercise of the Warrants and/or the exercise price per Warrant Share upon the occurrence of certain events, including:

- (a) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of the Common Shares by way of a stock dividend or other distribution (other than a dividend in the ordinary course or a distribution of Common Shares upon the exercise of any Warrants or pursuant to the exercise, conversion or exchange of securities of the Corporation outstanding as of the date of the Warrant Indenture);

- (b) the subdivision, redivision or change of the Common Shares into a greater number of Common Shares;
- (c) the consolidation, reduction or combination of the Common Shares into a lesser number of Common Shares;
- (d) the issuance to all or substantially all of the holders of the Common Shares of rights, options or warrants under which such holders are entitled, during a period expiring not more than 45 days after the record date for such issuance, to subscribe for or purchase Common Shares, or securities exchangeable for or convertible into Common Shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the "Current Market Price" (which will be defined in the Warrant Indenture); and
- (e) the issuance or distribution to all or substantially all of the holders of the Common Shares of securities of any class, rights, options or warrants to subscribe for or purchase Common Shares or securities exchangeable or convertible into any Common Shares (other than a "rights offering" pursuant to (d) above), evidences of indebtedness or any property or other assets.

The Warrant Indenture will also provide for adjustment in the class and/or number of securities issuable upon the exercise of the Warrants and/or exercise price per security in the event of the following additional events:

- (a) reclassifications of the Common Shares or a capital reorganization of the Corporation (other than as described above);
- (b) consolidations, amalgamations, arrangements or mergers of the Corporation with or into any other corporation or other entity (other than consolidations, amalgamations, arrangements or mergers which do not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other shares); or
- (c) the sale, conveyance or transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation or other entity.

No adjustment in the exercise price or the number of Warrant Shares issuable upon the exercise of the Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would result in a change of at least 1% in the exercise price.

The Corporation will covenant in the Warrant Indenture that, during the period in which the Warrants are exercisable, it will give notice to the Warrant Agent and to the holders of the Warrants of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Warrant Shares issuable upon exercise of the Warrants, at least 14 days prior to the record date or effective date of such event.

No fractional Warrant Shares will be issuable upon the exercise of any Warrants and no cash or other consideration will be paid in lieu of fractional Warrant Shares. Holders of Warrants will not have any voting or pre-emptive rights or any other rights which a holder of Common Shares would have.

Amendment

The Warrant Indenture will provide that, from time to time, the Corporation and the Warrant Agent may amend or supplement the Warrant Indenture for certain purposes, without the consent of the holders of the Warrants, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder. Any amendment or supplement to the Warrant Indenture that would adversely affect the interests of the holders of Warrants may only be made by "extraordinary resolution", which will be defined in the Warrant Indenture as a resolution either: (a) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 20% of the aggregate number of the then outstanding Warrants (unless such meeting is adjourned to a prescribed later date due to the lack of quorum) and passed by the affirmative vote of not less than 66⅔% of the aggregate number of all the then outstanding Warrants represented at the meeting; or (b) adopted by an instrument in writing signed by the holders of Warrants representing not less than 66⅔% of the aggregate number of all the then outstanding Warrants.

The Warrants and the Warrant Shares issuable upon the exercise of the Warrants have not been and will not be registered under the 1933 Act or any state securities laws. The Warrants may not be exercised by, or on behalf of, a person in the United States or a U.S. Person, nor will any certificates representing the Warrant Shares issuable upon exercise of the Warrants be registered or delivered to an address in the United States, unless an exemption from the registration requirements of the 1933 Act and any applicable United States state securities laws is available and the Corporation has received an opinion of counsel of recognized standing or other evidence to such effect in form and substance satisfactory to the Corporation.

Broker Warrants

As additional consideration for the Underwriters' services to the Corporation in connection with the Offering, the Underwriters will receive that number of Broker Warrants equal to 6% of the number of Offered Units sold under the Offering, including any Over-Allotment Units. Each Broker Warrant is exercisable into one Common Share at price of \$0.29 per Common Share for a period of 24 months following the Closing Date. The terms governing the Broker Warrants will be set out in the certificates representing the Broker Warrants and will include, among other things, customary provisions for the appropriate adjustment of the number of the Broker Warrant Shares issuable pursuant to any exercise of the Broker Warrants upon the occurrence of certain events including any subdivision, consolidation, or reclassification of the Common Shares of the Corporation, any capital reorganization of the Corporation, or any merger, arrangement, consolidation, or amalgamation of the Corporation with another corporation or entity as well as customary amendment provisions. The Broker Warrants will be non-transferable. The Underwriters, as holders of the Broker Warrants will not have any voting rights or other rights attached to the Common Shares until the Broker Warrants are exercised as provided for in the certificates representing the Broker Warrants.

PLAN OF DISTRIBUTION

Under an agreement dated September 1, 2021, effective August 26, 2021 between the Corporation and the Underwriters (the "**Underwriting Agreement**"), the Corporation has agreed to sell and the Underwriters have severally agreed to purchase, on a bought deal basis, on or about September 16, 2021, or on such later date as may be agreed upon, but in any case, not later than 42 days after the date of the receipt for the final short form prospectus, subject to the terms and conditions contained therein, all but not less than all of the 45,000,000 Offered Units at a price of \$0.29 per Offered Unit payable in cash to the Corporation against delivery of such Offered Units. The Underwriting Agreement provides that the Underwriters will be paid an underwriting fee of 6% cash commission and that number of Broker Warrants equal to 6% of the number of Offered Units sold pursuant to the Offering (including any Over-Allotment Units). Each Broker Warrant will be exercisable into one Common Share at a price of \$0.29 per Common Share for a period of 24 months following the Closing Date. This short form prospectus qualifies the distribution of the Broker Warrants. The obligations of the Underwriters under the Underwriting Agreement are subject to certain closing conditions and may be terminated at its discretion on the basis of "disaster out", "material change out", "regulatory out", "material adverse effect out" and "breach out" provisions in the Underwriting Agreement and may also be terminated upon the occurrence of certain other stated events. The Underwriters are, however, obligated to take up and pay for all of the Offered Units if any of such Offered Units are purchased under the Underwriting Agreement.

Pursuant to the Underwriting Agreement, the Corporation has granted to the Underwriters the Over-Allotment Option, exercisable in whole or in part, from time to time, for a period of 30 from and including the Closing Date, to purchase up to an additional 6,750,000 Offered Units to cover over-allocations, if any, and for market stabilization purposes, on the same terms and conditions as apply to the purchase of Offered Units thereunder. The Over-Allotment Option may be exercised by the Underwriters in respect of: (a) Over-Allotment Units at the Offering Price; (b) Over-Allotment Unit Shares at a price of \$0.28 per Over-Allotment Unit Share; (c) Over-Allotment Warrants at a price of \$0.02 per Over-Allotment Warrant; or (d) any combination of the Over-Allotment Securities, so long as the aggregate number of Over-Allotment Unit Shares and Over-Allotment Warrants which may be issued under the Over-Allotment Option does not exceed 6,750,000 Over-Allotment Unit Shares and 3,375,000 Over- Allotment Warrants.

The Over-Allotment Warrants will have the same terms as the Warrants. The Over-Allotment Option is exercisable by the Underwriters giving notice to the Corporation in accordance with the Underwriting Agreement, which notice shall specify the number of Over-Allotment Units, Over-Allotment Unit Shares and/or Over-Allotment Warrants to be purchased. This short form prospectus qualifies the grant of the Over-Allotment Option and the distribution of the

Over-Allotment Securities. A purchaser who acquires securities (including, but not limited to the Over-Allotment Securities) forming part of the Underwriters' over-allocation position acquires such securities under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. This short form prospectus also qualifies the distribution of the Unit Shares and the Warrants in the Offered Units.

The Corporation has applied to list the Unit Shares, Warrants and Warrant Shares distributed under this short form prospectus on the TSXV. Listing of the Unit Shares, Warrants and Warrant Shares will be subject to the Corporation fulfilling all of the listing requirements of the TSXV. Listing of the Warrants on the TSXV is not a condition of closing of the Offering, and it is possible that the Warrants may not be listed. **There is currently no market through which the Warrants offered hereby may be sold and purchasers of the Warrants may not be able to resell the Warrants purchased under this short form prospectus. See "Risk Factors".**

The Offering Price was determined by arm's length negotiation between the Corporation and the Underwriters. The Underwriters propose to offer the Offered Units initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Offered Units at the Offering Price, the Offering Price may be decreased and may be further changed from time to time to an amount not greater than the Offering Price and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Offered Units is less than the price paid by the Underwriters to the Corporation.

Each of the Underwriters has represented and agreed that it will not solicit offers to purchase or sell the Offered Units so as to require registration thereof or filing of a prospectus with respect thereto under the laws of any jurisdiction including, without limitation, the United States, except as set forth in the Underwriting Agreement.

The Offering is being made concurrently in all provinces of Canada other than Québec. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Offered Units or Over-Allotment Securities to, or for the account or benefit of, persons in the United States or U.S. Persons. The Offered Units, Unit Shares and Warrants have not been and will not be registered under the 1933 Act or the securities laws of any state of the United States. Accordingly, the Offered Units and the Over-Allotment Securities may not be offered, sold or delivered, directly or indirectly, in the United States except in accordance with the Underwriting Agreement and pursuant to an exemption from registration under the 1933 Act and as expressly permitted by applicable United States state securities laws. The Underwriting Agreement permits the Underwriters, acting through their registered United States broker-dealer affiliates, to offer and sell the Offered Units and/or the Over-Allotment Securities to, or for the account or benefit of, persons in the United States or U.S. Persons who are "qualified institutional buyers" (as defined in Rule 144A ("**Rule 144A**") under the 1933 Act ("**Qualified Institutional Buyers**")), provided such offers and sales are made in accordance with Rule 144A, and in compliance with exemptions under applicable United States state securities laws. The Underwriting Agreement also provides that the Underwriters may offer the Offered Units and/or the Over-Allotment Securities for sale by the Corporation to, or for the account or benefit of, persons in the United States and U.S. Persons that are "accredited investors" (as such term is defined in Rule 501(a) of Regulation D under the 1933 Act ("**U.S. Accredited Investors**") or Qualified Institutional Buyers that are also U.S. Accredited Investors, provided that such transactions are made in compliance with Rule 506(b) of Regulation D under the 1933 Act and in compliance with applicable United States state securities laws. The Underwriting Agreement also provides that the Underwriters will offer and sell the Offered Units and/or the Over-Allotment Securities outside of the United States only in accordance with Rule 903 of Regulation S under the 1933 Act. In addition, until 40 days after the Closing Date, an offer or sale of the Offered Units and/or the Over-Allotment Securities, to, or for the account or benefit of, persons within the United States or a U.S. Person by any dealer (whether or not participating in this Offering) may violate the registration requirements of the 1933 Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirements under the 1933 Act and similar exemptions under applicable United States state securities laws. The Offered Units and the Over-Allotment Securities may also be offered, sold or delivered, directly or indirectly, outside of Canada and the United States where they may be lawfully offered, sold or delivered on a basis exempt from the prospectus, registration and similar requirements of any such jurisdictions.

Pursuant to the terms of the Underwriting Agreement, the Corporation agreed that, it will not, directly or indirectly, offer, issue, sell, grant, secure, pledge, or otherwise transfer, dispose of or monetize, or engage in any hedging transaction, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever, any Common Shares or securities

convertible into, exchangeable for, or otherwise exercisable to acquire Common Shares or other equity securities of the Corporation, other than issuances in conjunction with: (a) the grant or exercise of stock options and other similar issuances pursuant to the Option Plan or the RSU Plan as of the date hereof; (b) the exercise of outstanding warrants of the Corporation as of the date hereof; (c) any obligations of the Corporation in respect of existing agreements as of the date hereof; (d) the issuance of securities by the Corporation in connection with acquisitions in the normal course of business; or (e) the satisfaction of any obligations to issue securities arising from the Offering, from the date of the Underwriting Agreement and continuing for a period of 90 days from the Closing Date without the prior written consent of the Underwriters, such consent not to be unreasonably withheld or delayed. The Corporation also agreed to use reasonable commercial efforts to cause its directors and officers and each of such director's and officer's associates and affiliates (collectively, the "**Insiders**") to deliver signed undertakings, in form and substance satisfactory to the Underwriters and their legal counsel, pursuant to which the Insiders agree, for a period of 90 days from the Closing Date, not to, directly or indirectly, sell or agree to sell (or announce any intention to do so), grant, pledge or otherwise transfer, dispose of or monetize, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever any Common Shares or securities convertible into, exchangeable for, or otherwise exercisable to acquire Common Shares or other equity securities of the Corporation, without the prior written consent of the Underwriters, such consent not to be unreasonably withheld or delayed.

Pursuant to policy statements of certain securities regulators, the Underwriters may not, throughout the period of distribution under this short form prospectus, bid for or purchase any Offered Units and/or Over-Allotment Securities. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules administered by Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer when the order was not solicited during the period of distribution. Subject to the foregoing, in connection with this Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

Subscriptions of Offered Units and/or Over-Allotment Securities will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Offering will be conducted under the NCI system. Offered Units registered in the name of CDS or its nominee will be deposited electronically with CDS on an NCI basis at closing. A subscriber who purchases Offered Units will generally only receive a customer confirmation from the registered dealer from or through whom Offered Units are purchased and who is a CDS participant. Notwithstanding the foregoing, Unit Shares and Warrants sold to U.S. Accredited Investors will be represented by definitive certificates registered in the names of such purchasers.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Burnet, Duckworth & Palmer LLP, counsel to the Corporation, and Stikeman Elliott LLP, counsel to the Underwriters, the following is a summary, as of the date hereof, of the principal Canadian federal income tax considerations under the Tax Act generally applicable to a holder who acquires, as beneficial owner, Unit Shares and Warrants pursuant to the Offering, and Warrant Shares upon exercise of the Warrants, and who, for purposes of the Tax Act and at all relevant times, holds such Unit Shares, Warrant Shares and Warrants as capital property, deals at arm's length with the Corporation and the Underwriters and is not affiliated with the Corporation or the Underwriters. A holder who meets all of the foregoing requirements is referred to as a "**Holder**" herein, and this summary only addresses such Holders. The Unit Shares, Warrants and Warrant Shares will generally be considered to be capital property to a Holder provided that the Holder does not hold the Unit Shares, Warrants or Warrant Shares in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure of concern in the nature of trade.

This summary is not applicable to: (a) a Holder that is a "financial institution", as defined in the Tax Act for purposes of the mark-to-market rules in the Tax Act; (b) a Holder that is a "specified financial institution", as defined in the Tax Act; (c) a Holder of an interest which is a "tax shelter investment" as defined in the Tax Act; (d) a Holder that makes or has made a functional currency reporting election for purposes of the Tax Act; (e) a Holder that has entered into or will enter into a "derivative forward agreement", a "synthetic disposition arrangement" or (in the case of Unit Shares

or Warrant Shares) a "dividend rental arrangement", each as defined in the Tax Act, with respect to the Unit Shares, Warrants or Warrant Shares; or (f) to a Holder that is a "foreign affiliate" of a taxpayer resident in Canada, as defined in the Tax Act. All such Holders should consult their own tax advisors. In addition, this summary does not address the deductibility of interest by a Holder who has borrowed money or otherwise incurred debt in connection with the acquisition of Warrants or Warrant Shares.

This summary is based on the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been publicly and officially announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**") and our understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**") published in writing prior to the date hereof. This summary assumes the Proposed Amendments will be enacted in the form proposed. However, no assurance can be given that the Proposed Amendments will be enacted in their current form, or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account or anticipate any changes in the law or any changes in the CRA's administrative and assessing policies or practices, whether by legislative, governmental or judicial action or decision, nor does it take into account or anticipate any other federal or any provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein. Any particular Holder should consult their own tax advisors with respect to provincial, territorial or foreign tax considerations.

This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder, and no representations with respect to the income tax consequences to any Holder are made. Consequently, Holders should consult their own tax advisors with respect to the tax consequences applicable to them, having regard to their own particular circumstances. The discussion below is qualified accordingly.

Allocation of Cost

Holders will be required to allocate the aggregate cost of an Offered Unit between the Unit Share and the one-half Warrant on a reasonable basis in order to determine their respective costs for purposes of the Tax Act.

Adjusted Cost Base of Unit Shares

For purposes of determining the adjusted cost base to a Holder of a Unit Share acquired as part of an Offered Unit, the cost of such Unit Share will be averaged with the adjusted cost base of all Common Shares of the Corporation held by the Holder as capital property immediately before such acquisition.

Exercise of Warrants

No gain or loss will be realized by a Holder on the exercise of a Warrant to acquire a Warrant Share. When a Warrant is exercised, the Holder's cost of the Warrant Share acquired thereby will be equal to the aggregate of the Holder's adjusted cost base of such Warrant and the exercise price paid for the Warrant Share. The Holder's adjusted cost base of the Warrant Share so acquired will be determined by averaging the cost of the Warrant Share with the adjusted cost base to the Holder of all Common Shares of the Corporation held as capital property immediately before the acquisition of the Warrant Share.

Taxation of Resident Holders

The following portion of this summary applies to Holders (as defined above) who, for the purposes of the Tax Act, are or are deemed to be resident in Canada at all relevant times (herein, "**Resident Holders**") and this portion of the summary only addresses such Resident Holders. Certain Resident Holders whose Unit Shares and Warrant Shares might not constitute capital property may, in certain circumstances, make an irrevocable election permitted by subsection 39(4) of the Tax Act to deem the Unit Shares and Warrant Shares, and every other "Canadian security" (as defined in the Tax Act), owned by such Resident Holder in the taxation year of the election and all subsequent taxation years to be capital property. This election does not apply to the Warrants. Resident Holders should consult their own tax advisors regarding this election.

Expiry of Warrants

The expiry of an unexercised Warrant generally will result in a capital loss to the Resident Holder equal to the adjusted cost base of the Warrant to the Resident Holder immediately before its expiry. See discussion below under the heading "*Capital Gains and Capital Losses*".

Taxation of Dividends

A Resident Holder will be required to include in computing income for a taxation year any dividends received, or deemed to be received, in the year by the Resident Holder on the Unit Shares or Warrant Shares.

In the case of a Resident Holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable under the Tax Act to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit provisions where the Corporation designates the dividend as an "eligible dividend" in accordance with the provisions of the Tax Act. There may be restrictions on the ability of the Corporation to designate any dividend as an "eligible dividend", and the Corporation has made no commitments in this regard.

A dividend received or deemed to be received by a Resident Holder that is a corporation must be included in computing its income for a taxation year but will generally be deductible in computing the corporation's taxable income, subject to all of the rules and restrictions under the Tax Act in that regard. In certain circumstances subsection 55(2) of the Tax Act will treat a taxable dividend received or deemed to be received by a Resident Holder that is a corporation as proceeds of disposition or a capital gain.

A corporation that is a "private corporation" or a "subject corporation" (both as defined in the Tax Act) may be liable to pay an additional tax (refundable under certain circumstances) under Part IV of the Tax Act on dividends received or deemed to be received on the Unit Shares or Warrant Shares in a year to the extent such dividends are deductible in computing taxable income for the year.

Disposition of Unit Shares, Warrants and Warrant Shares

A Resident Holder who disposes, or is deemed to dispose of, a Warrant (other than on the exercise thereof), a Unit Share or a Warrant Share (other than on a disposition of the Unit Share or Warrant Share to the Corporation, unless purchased by the Corporation in the open market in the manner in which shares are normally purchased by any member of the public in the open market) generally will realize a capital gain (or capital loss) equal to the amount, if any, by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or are less) than the adjusted cost base to the Resident Holder of such Warrant, Unit Share, or Warrant Share, as the case may be, immediately before the disposition or deemed disposition. The taxation of capital gains and losses is generally described below under the heading "*Capital Gains and Capital Losses*".

Capital Gains and Capital Losses

Generally, a Resident Holder is required to include in computing income for a taxation year one-half of the amount of any capital gain (a "**taxable capital gain**") realized by the Resident Holder in such taxation year. Subject to and in accordance with the rules contained in the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an "**allowable capital loss**") realized in a particular taxation year against taxable capital gains realized by the Resident Holder in the year. Allowable capital losses in excess of taxable capital gains for the taxation year of disposition may, in general terms, be carried back and deducted in any of the three preceding taxation years, or carried forward and deducted in any subsequent year, against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition or deemed disposition of a Unit Share or Warrant Share may be reduced by the amount of any dividends received or deemed to have been received by such Resident Holder on such shares, to the extent and under the circumstances described in the Tax Act. Similar rules apply where a corporation is a member of a partnership or a beneficiary of a trust that owns

Unit Shares or Warrant Shares, directly or indirectly. Corporations to whom these rules may be relevant should consult their own tax advisors.

Refundable Tax

A Resident Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional tax (refundable in certain circumstances) on certain investment income, including taxable capital gains and dividends received or deemed to be received on a Unit Share or Warrant Share to the extent that such dividends are not deductible in computing the Resident Holder's taxable income for the taxation year. Such Resident Holders should consult their own tax advisors.

Alternative Minimum Tax

Capital gains realized and dividends received or deemed to be received by a Resident Holder that is an individual or a trust, other than certain specified trusts, may give rise to alternative minimum tax under the Tax Act. Resident Holders should consult their own tax advisors in this regard.

Taxation of Non-Resident Holders

The following portion of this summary is generally applicable to Holders (as defined above) who, for the purposes of the Tax Act and at all relevant times: (a) are not resident or deemed to be resident in Canada; and (b) do not use or hold, and are not deemed to use or hold, Unit Shares, Warrants or Warrant Shares in carrying on a business in Canada (herein, "**Non-Resident Holders**"). Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer carrying on business in Canada and elsewhere or an "authorized foreign bank" (as defined in the Tax Act). Such Non-Resident Holders should consult their own tax advisors.

Receipt of Dividends

Dividends paid or credited or deemed to be paid or credited to a Non-Resident Holder by the Corporation are generally subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividend unless reduced by the terms of an applicable tax treaty between Canada and the Non-Resident Holder's jurisdiction of residence. For example, under the Canada-United States Tax Convention (1980) (the "**Treaty**") as amended, the rate of withholding tax on dividends paid or credited, or deemed to be paid or credited, to a Non-Resident Holder who is resident in the United States for purposes of the Treaty, fully entitled to benefits under the Treaty and is the beneficial owner of the dividend (a "**U.S. Resident Holder**") is generally limited to 15% of the gross amount of the dividend (or 5% in the case of a U.S. Resident Holder that is a company beneficially owning at least 10% of the Corporation's voting shares). Non-Resident Holders should consult their own tax advisors regarding the application of any applicable tax treaty to dividends based on their particular circumstances.

Disposition of Unit Shares, Warrants and Warrant Shares

A Non-Resident Holder generally will not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition or deemed disposition of a Unit Share, a Warrant or a Warrant Share nor will capital losses arising therefrom be recognized under the Tax Act, unless such Unit Share, Warrant Share or Warrant, as the case may be, constitutes "taxable Canadian property" (as defined in the Tax Act) to the Non-Resident Holder at the time of disposition and the gain is not exempt from tax pursuant to the terms of an applicable tax treaty between Canada and the Non-Resident Holder's jurisdiction of residence.

Provided the Unit Shares and Warrant Shares are listed on a "designated stock exchange", as defined in the Tax Act (which currently includes the TSXV) at the time of disposition, the Unit Shares, Warrants, and Warrant Shares will generally not constitute taxable Canadian property of a Non-Resident Holder at that time, unless at any time during the 60-month period immediately preceding the disposition the following two conditions are satisfied concurrently:

- (a) (i) the Non-Resident Holder; (ii) persons with whom the Non-Resident Holder did not deal at arm's length; (iii) partnerships in which the Non-Resident Holder or a person described in (ii) holds a membership interest

directly or indirectly through one or more partnerships; or (iv) any combination of the persons and partnerships described in (i) through (iii), owned 25% or more of the issued shares of any class or series of shares of the Corporation; and

(b) more than 50% of the fair market value of the Unit Shares or Warrant Shares, as applicable, was derived directly or indirectly from one or any combination of: real or immovable property situated in Canada, "Canadian resource properties", "timber resource properties" (each as defined in the Tax Act), and options in respect of, or interests in or for civil law rights in, such properties.

Notwithstanding the foregoing, Unit Shares, Warrants and Warrant Shares may also be deemed to be taxable Canadian property to a Non-Resident Holder under certain other provisions of the Tax Act.

A Non-Resident Holder's capital gain (or capital loss) in respect of Unit Shares, Warrants or Warrant Shares that constitute or are deemed to constitute taxable Canadian property (and are not "treaty-protected property" as defined in the Tax Act) will generally be computed in the manner described above under the subheading "*Taxation of Resident Holders – Dispositions of Unit Shares, Warrants and Warrant Shares*".

Non-Resident Holders who may hold Unit Shares, Warrants or Warrant Shares as taxable Canadian property should consult their own tax advisors.

THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL CANADIAN TAX CONSIDERATIONS APPLICABLE TO HOLDERS WITH RESPECT TO THE OWNERSHIP, EXERCISE OR DISPOSITION OF WARRANTS, UNIT SHARES AND WARRANT SHARES. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSIDERATIONS APPLICABLE TO THEM IN THEIR PARTICULAR CIRCUMSTANCES.

REGULATORY OVERVIEW

The following summary is intended to provide a general overview of the certain Canadian federal and provincial laws and regulations in respect of the cultivation, processing, packaging, labelling, promotion, distribution and sale of adult-use cannabis, cannabis products and cannabis accessories that are applicable to the Corporation. The provincial and territorial regulatory frameworks relating to cannabis are complex and rapidly evolving, with provincial and territorial governments in Canada having taken different approaches to regulating the consumption, distribution and sale of cannabis and cannabis-related activities. The below summary is not intended to be an exhaustive, and does not address the laws and regulations of any jurisdiction other than Canada and certain provinces of Canada as identified. The Corporation continues to monitor regulatory developments and their impact(s) on its business, including the Corporation's proposed plans for further expansion and growth.

Federal Framework

On October 17, 2018, the *Cannabis Act* (Canada) (the "**Cannabis Act**") and the regulations thereunder (the "**Cannabis Regulations**") came into force in Canada, replacing the *Access to Cannabis for Medical Purposes Regulations* ("**ACMPR**") and the *Controlled Drugs and Substances Act* ("**CDSA**") as the governing legislation relating to the possession, production, processing, promotion, distribution and sale of cannabis for medical and adult recreational use.

The Cannabis Act provides a licensing and permitting framework for the cultivation, processing, importation, exportation, testing, researching, packaging, labelling, sending, delivery, transportation, promotion, sale, possession and disposal of cannabis for adult recreational use, which is implemented by the Cannabis Regulations. Among other things, the Cannabis Act:

- Restricts the amount of cannabis that individuals can possess and distribute;
- Prohibits the sale of cannabis unless authorized by the Cannabis Act and/or Cannabis Regulations;

- Permits individuals 18 years of age or older to cultivate, propagate, and harvest up to and including four cannabis plants in their dwelling-house, propagated from a seed or plant material authorized by the Cannabis Act;
- Prohibits the promotion of cannabis and cannabis products by way of testimonials or endorsements; in a manner that associates the cannabis or product with a way of life (i.e., prohibits lifestyle promotion); by depicting a person, character or animal, whether real or fictional; or in a manner that is, or could be, appealing to youth;
- Prohibits, subject to certain enumerated exceptions, the promotion and display of cannabis, cannabis accessories and services related to cannabis to consumers, including restrictions on branding;
- Permitted promotion includes informational promotion and brand preference promotion in specified circumstances to individuals 18 years of age and older (or any older age specified by applicable provincial legislation);
- Prohibits the promotion of cannabis in a manner that is false or misleading, or likely to create an erroneous impression about it or its uses;
- Prohibits the use of a brand element of cannabis in a promotion that is used in the sponsorship of a person, entity, event, activity or facility;
- Outlines certain packaging and labelling requirements for cannabis and cannabis accessories and prohibits the sale of cannabis or cannabis accessories in packaging or with labelling that could be appealing to young persons;
- Provides the designated Minister with the power to recall any cannabis or class of cannabis on reasonable grounds that such a recall is necessary to protect public health or public safety;
- Establishes the cannabis tracking and licensing system; and
- Provides powers to designated inspectors for the purpose of administering and enforcing the Cannabis Act and a system for administrative monetary penalties.

The Cannabis Regulations, among other things:

- Provide for the issuance of licences authorizing certain activities with cannabis, including (but not limited to) standard, micro- and nursery cultivation licences standard and micro-processing licences; and licences authorizing the sale of cannabis for both medical and non-medical use (collectively, these federal licence holders are referred to as "**Licensed Producers**");
- Contain requirements for all cannabis products to be packaged in a tamper-evident and child-resistant manner and in 'plain packaging'; and
- Require certain information to be included on product labels, including the name and contact information of the licence holder who manufactured the product, lot number, the quantity of tetrahydrocannabinol and cannabidiol in the product, and certain warning information.

The Cannabis Act provides provincial and municipal governments the authority to enact regulations regarding (among other things) distribution and retail of cannabis products within the province or territory. As of the date of this short form prospectus, various provincial and territorial governments in Canada have enacted legislation to regulate the storefront and online sale of cannabis products produced and packaged by Licensed Producers.

Provincial Framework

The following section provides a general overview of the applicable laws and regulations governing the distribution and retail sale of adult recreational use cannabis, cannabis products and cannabis accessories, in the three key provinces within which the Corporation conducts its business as at the date of this short form prospectus.

British Columbia

The Liquor and Cannabis Regulation Branch ("**LCRB**") is responsible for licensing and oversight of the adult recreational use cannabis sector in British Columbia. In addition, the LCRB is the exclusive wholesaler responsible for distribution of cannabis products in British Columbia and is also responsible for issuing cannabis retail store licences, described below. The cannabis retail and distribution system in British Columbia is a mixed public/private model.

Two primary pieces of legislation provide the legal framework for adult recreational use sale and distribution in British Columbia: the *Cannabis Control and Licensing Act* ("**CCLA**") and the *Cannabis Distribution Act* ("**CDA**") and the regulations promulgated thereunder. In addition to this legislation, the LCRB has provided guidance to industry, including through the B.C. Cannabis Private Retail Licensing Guide, the Cannabis Retail Store Terms and Conditions, and the Marketing Terms and Conditions Handbook, all of which are regularly updated.

The CCLA and the *Cannabis Licensing Regulation* made thereunder (the "**CLR**") regulate the possession, sale, promotion, supply and production of adult recreational use cannabis within British Columbia and provides the scheme for licensing and certain rules for the retailing of cannabis, including prohibitions on tied houses (see below) and inducements. Two classes of licences are established pursuant to this legislative regime: the Cannabis Retail Store Licence, which authorizes the sale of adult-use cannabis through a private retail store; and the Marketing Licence, which authorizes the licence holder to promote cannabis for the purpose of selling it.

The CLR establish a number of rules and requirements that apply to a Cannabis Retail Store Licence, including limitations on the products that can be sold therein (cannabis, cannabis accessories, bags and prepaid purchase cards for use in the store). The CLR also establish restrictions on the number of retail store licences that can be held: no more than 8 retail licences can be held by a licence holder or a group of related persons.

The LCRB cannot issue a Cannabis Retail Store Licence to a federally Licensed Producer, to a person to has agreed to sell a Licenced Producer's cannabis to the exclusion of other cannabis or to a person who is associated, connected or financially interested in a Licenced Producer such that the person is likely to promote the sale of that Licensed Producer's cannabis (i.e., the tied houses prohibition). Where there is an association, connection or financial interest between an applicant for a Cannabis Retail Store Licence and a Licensed Producer or its agent, the LCRB may determine that there is a risk that, if licensed, the retailer would promote the Licensed Producer's products to the exclusion of another Licensed Producer's cannabis. The LCRB may determine that the risk can only be eliminated if the Cannabis Retail Store Licence contains a condition prohibiting the licensed retailer from selling any products of its associated Licensed Producer. The LCRB will consider, among other things, the financial interconnectedness of the cannabis retailer and Licensed Producer and specifically whether the parties are significant shareholders (control of 20% or more of the voting shares) of each other, whether there is a family connection between the two and any other association, connection or financial interest between the retailer and Licensed Producer.

The CCLA and CLR also prohibit the request for, or receipt of financial or other benefits from Licensed Producers or marketers to cannabis retailers in exchange for selling or promoting their products. As set out in the Cannabis Retail Store Terms and Conditions, a Cannabis Retail Store Licence holder cannot pay money or provide other benefits to secure their ability to purchase a Licensed Producer's products, request money or other benefits from a Licensed Producer or its marketer in return for buying their products from the LDB, accept money or other benefits in exchange for agreeing not to stock a competitor's product, or make agreements that give them exclusive access to a Licensed Producer's product, or product line.

A Cannabis Retail Store Licence holder is also prohibited from accepting any items, products or services from a Licensed Producer or its marketer that are necessary for the operation of their business. This includes financial

assistance as well as permanent fixtures, furnishings, or display structures. In addition, Licensed Producers or marketers cannot buy shelf space, offer weight discounts, or offer discounted product in exchange for marketing benefits, a licensee must always pay for their own advertising.

Cannabis retail stores must carry and make available to consumers a representative selection of brands of cannabis from a variety of suppliers that are not associated with or connected with each other. Cannabis retail stores are prohibited from selling anything other than cannabis products, cannabis accessories, gift cards or shopping bags and may not sell (for example): snacks, tobacco, services or other items not related to cannabis. Cannabis retail stores cannot sell cannabis as part of, jointly advertise with, or offer discounts based on, purchases from another business, other than another licensed adult-use cannabis store and are not permitted to offer customer loyalty programs. They are also prohibited from offering in-store games and entertainment and are restricted in their ability to offer gift card programs.

As of August 4, 2020, cannabis retail stores are permitted to sell cannabis through an online system, or by telephone, so long as the transfer of the physical possession of the cannabis occurs at the licensed cannabis retail store. The restrictions on gift cards were also relaxed, allowing cannabis retail stores to sell gift cards for use at any of their stores or on their online platform.

No maximum limit or target for the number of cannabis retail store licences to be issued has been set in British Columbia and no provincial requirements have been established for the location of cannabis retail stores. The LCRB defers to municipalities to set restrictions on the location of cannabis retail stores in their communities through land use by-laws.

Alberta

The Alberta Gaming, Liquor and Cannabis Commission ("**AGLC**") is responsible for licensing and oversight of the adult recreational use cannabis sector in Alberta. The AGLC is exclusively authorized to purchase adult recreational use cannabis products from Licensed Producers, which the AGLC may then either (i) distribute to licensed private retailers for sale from licensed premises, or (ii) sell directly through an online platform operated by the AGLC.

The AGLC is also responsible for issuing licences to private retailers authorizing the sale of adult recreational use cannabis products in accordance with part 3.1 of the *Gaming, Liquor and Cannabis Act* (the "**Alberta Cannabis Act**"), the *Gaming, Liquor and Cannabis Regulation* (the "**Alberta Cannabis Regulation**") and the AGLCC's policies and conditions, including the Retail Cannabis Store Handbook published (the "**AGLC Handbook**") which sets out the AGLC's policies and guidelines related to cannabis retail licences.

The Alberta Cannabis Act prohibits, among other things the online sale of cannabis products by anyone other than the AGLC and agreements between cannabis licensees and suppliers in respect of the sale or promotion of the supplier's cannabis, except as provided by the Alberta Cannabis Regulation.

The Alberta Cannabis Act also prohibits the issuance of a cannabis retail licence to an applicant, unless the applicant will conduct the sale of cannabis as a separate business from any other activities of the applicant, and in a location which offers for sale only cannabis products, cannabis accessories (as defined in the Alberta Cannabis Act) or other prescribed items.

The Alberta Cannabis Regulation prohibits the provision of a loan, money, rebate or other thing of value by a cannabis supplier to a cannabis retail licensee, other than within the normal course of financing in the case where the cannabis supplier has a financial interest in the retail licensee as its subsidiary. The Alberta Cannabis Regulation also prohibits a cannabis licensee from buying, receiving as a gift, renting or borrowing any furniture, furnishings, supplies or other equipment and from directly or indirectly borrowing or receiving money, an advance of money or any thing of value from a cannabis supplier or its representative, other than in the context of an existing corporate relationship.

The AGLC Handbook provides additional rules and restrictions relating to retail cannabis stores in Alberta. Among other things, the Handbook outlines physical security requirements for retail stores, restricts store names and signs, prescribes the allowable hours of service and establishes that cannabis retail stores are not permitted to sell cannabis

below the minimum price set by the AGLC or provide cannabis to customers free of charge. The Handbook also restricts the items that can be sold at licensed cannabis retail stores to cannabis and cannabis accessories and specifically prohibits the sale of consumable products other than cannabis, products intended to be mixed, applied or consumed with cannabis, organic solvents and products or promotional materials related to the medical use of cannabis. The majority of sales of a retail cannabis store must be cannabis.

Each municipality in Alberta is responsible for establishing its own land use and business licensing by-laws governing the issuance of development permits, building permits and business licences to prospective cannabis retail store licensees. As at the date of this short form prospectus, some municipalities have implemented a random selection process for determining the order and priority of review of initial cannabis retail store applications, while others have adopted a first-come, first-served approach. Most municipalities have adopted additional separation requirements beyond the requirements stipulated by the Alberta Cannabis Regulations, including, separation requirements between competing cannabis retail stores, and between a cannabis retail store and other sensitive establishments such as schools, hospitals, treatment centres, and/or public parks, subject to discretionary variances (from the prescribed separation distances) which may be granted by a duly appointed development officer, or the Subdivision and Development Appeal Board pursuant to the *Municipal Government Act* (Alberta).

Saskatchewan

The Saskatchewan Liquor and Gaming Authority ("**SLGA**") regulates the adult recreational use retail cannabis industry within the province of Saskatchewan. Saskatchewan has adopted a private model for the wholesale/distribution and retail sale of adult recreational use cannabis, with the SLGA acting as the regulator. The SLGA is not directly engaged in the wholesale or retail distribution, or sale, of adult recreational use cannabis.

The *Cannabis Control (Saskatchewan) Act* ("**CCSA**") and the *Cannabis Control (Saskatchewan) Regulations* ("**CCSR**") as well as the SLGA's Cannabis Regulatory Policy Manual (the "**Manual**") establish the rules, restrictions and policies relating to the possession, distribution and consumption of cannabis in Saskatchewan, as well as the regulatory framework for the provincial cannabis retail system.

The CCSA provides for the issuance of cannabis permits for the purchase, possession, sale, transport and distribution of cannabis and also provides for the prescription, from time to time, of the maximum number of cannabis permits of each class of permit that can be issued. The SLGA issues the following three classes of cannabis permits and registrations: Cannabis Retail Store Permits, which authorize the retail sale of cannabis for consumption and use off-premises; Cannabis Wholesale Permits, which authorize the wholesale purchase and distribution of cannabis to holders of Cannabis Retail Store Permits (but not the general public); and registrations to Licensed Producers authorizing them to ship directly from an existing warehouse facility to the holder of a Cannabis Retail Store Permit or a Cannabis Wholesale Permit. Although the Government of Saskatchewan had previously implemented limits on the allocation of the number of cannabis retail licences amongst municipalities across the province, the SLGA moved to an open licensing framework effective September 2020.

The CCSR establish the permitted hours of operation of a cannabis retail store, that cannabis retail stores are permitted to sell cannabis, cannabis accessories (but not those containing tobacco or nicotine or that might encourage the overconsumption of cannabis, the consumption of illicit cannabis or the consumption of cannabis by minors) and cannabis ancillary items in permitted retail stores and to provide delivery service of those products within the province, using an approved delivery service or common carrier. The SLGA has defined certain cannabis ancillary items which may be sold in a cannabis retail store as items which directly relate to cannabis, including (for example): cookbooks, cannabis magazines, branded or themed apparel, cultivation equipment, or home extraction equipment. Examples of products not considered ancillary items include any tobacco products, alcoholic beverages, hemp products (that do not otherwise fit into a category of products that can be sold), lottery tickets, snack foods and beverages, and organic solvents. Saskatchewan cannabis retail store permittees are not permitted to offer loyalty programs.

The CCSA does not establish rules or requirements for the location of cannabis retail stores, and instead, defers to municipalities to set restrictions on the location of cannabis retail stores in their communities through enacting applicable land use by-laws. Municipalities in Saskatchewan have the authority to designate all or some locations within the municipality as areas in which activities with cannabis (including retail) are not permitted.

RISK FACTORS

An investment in the Offered Units and/or the Over-Allotment Securities is subject to certain risks. Investors should carefully consider the risks described below before deciding whether to invest in the Offered Units and/or the Over-Allotment Securities. Investors should also carefully consider any risks that may be described in other filings the Corporation makes with securities regulators including, without limitation, the section entitled "*Risk Factors*" contained in the 2020 Annual Information Form, which is incorporated by reference in this short form prospectus. That analysis discusses, among other things, industry risks, known material trends and events, and other risks or uncertainties that are reasonably expected to have a material effect on the Corporation's business, financial condition or results of operations. The risks and uncertainties described below or incorporated by reference in this short form prospectus are not the only risks and uncertainties faced by the Corporation. Additional risks and uncertainties not presently known to the Corporation may also impair its business operations. If the Corporation does not successfully address any of the risks described below or in other filings, there may be a material adverse effect on its business, financial condition or results of operations. As a result, the Corporation cannot assure an investor that it will successfully address these risks.

Risks Related to the Offering

Completion of the Offering

The completion of the Offering remains subject to a number of conditions. There can be no certainty that the Offering will be completed. Failure by the Corporation to satisfy all of the conditions precedent to the Offering would result in the Offering not being completed. If the Offering is not completed, the Corporation may not be able to raise the funds required for the purposes contemplated under "*Use of Proceeds*" from other sources on commercially reasonable terms or at all.

The Common Shares are subject to market price volatility, which could also affect the market price of the Warrants

The market price of the Corporation's securities may be adversely affected by a variety of factors relating to the Corporation's business, including fluctuations in the Corporation's operating and financial results, the results of any public announcements made by the Corporation and the Corporation's failure to meet analysts' expectations. In addition, from time to time, the stock market experiences significant price and volume volatility that may affect the market price of the Common Shares and Warrants for reasons unrelated to the Corporation's performance. Additionally, the value of the Common Shares and Warrants are subject to market value fluctuations based upon factors which influence the Corporation's operations, such as legislative or regulatory developments, competition, technological change and the performance of equity markets and changes in interest rates.

No Assurance of Future Liquidity for the Common Shares

Shareholders of the Corporation may be unable to sell significant quantities of Common Shares into the public trading markets without a significant reduction in the price of their Common Shares, or at all. There can be no assurance that there will be sufficient liquidity of the Common Shares on the trading market, or that the Corporation will continue to meet the listing requirements of the TSXV or achieve listing on any other public listing exchange.

Additional issuance of Common Shares may result in dilution

The Corporation's articles of incorporation allow it to issue an unlimited number of Common Shares for such consideration and on such terms and conditions as shall be established by the Board, in many cases, without the approval of the Corporation's shareholders. As part of this Offering, the Corporation will issue 45,000,000 Common Shares (or 51,750,000 Common Shares if the Over-Allotment Option is exercised in full with the Underwriters electing to receive only Over-Allotment Units). Except as described under the heading "*Plan of Distribution*", the Corporation may issue additional Common Shares in subsequent offerings (including through the sale of securities convertible into or exchangeable for Common Shares) and on the exercise of stock options or other securities exercisable or convertible for Common Shares. The Corporation may also issue Common Shares to finance future acquisitions in the normal course of business. The Corporation cannot predict the size of future issuances of Common Shares or the effect that

future issuances and sales of Common Shares will have on the market price of the Common Shares. Issuances of a substantial number of additional Common Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Common Shares. With any additional issuance of Common Shares, investors will suffer dilution to their voting power and the Corporation may experience dilution in its earnings per share.

No public market for Warrants

Although the Corporation has applied to list the Warrants on the TSXV, there can be no assurance that such listing will be obtained. There is currently no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants. There can be no assurance that a secondary market for trading in the Warrants will develop or that any secondary market which does develop will continue and if it does develop, that it will be active. This may affect the pricing of the Warrants in the secondary market and the transparency and availability of trading prices. Without an active market, the liquidity of the Warrants will be limited and you may be unable to sell the Warrants at the prices desired or at all. The Warrants have an exercise price of \$0.40 per Warrant Share (subject to adjustment in certain circumstances) and can be exercised at any time prior to the expiry date. In the event the market price of the Common Shares does not exceed the exercise price of the Warrants during the period when the Warrants are exercisable, the Warrants may not have any value. Holders of the Warrants will have no rights as shareholders of the Corporation until they exercise the Warrants in accordance with their terms. Upon exercise of the Warrants, holders of the Warrant Shares deliverable on the exercise of such Warrants will be entitled to exercise the rights of a shareholder in respect of such Warrant Shares only in respect of matters for which the record date occurs after the exercise date. See "*Description of Securities Being Distributed— Description of the Warrants*".

The Corporation has discretion with respect to the use of proceeds from this Offering

Management will have broad discretion with respect to the use of the net proceeds from the Offering and investors will be relying on the judgment of management regarding the application of these proceeds. At the date of this short form prospectus, the Corporation intends to use the net proceeds from this Offering as described under the heading "*Use of Proceeds*". However, the Corporation's needs may change as its business and the industry the Corporation addresses evolve. As a result, the proceeds to be received in this Offering may be used in a manner significantly different from the Corporation's current expectations. The failure by management to apply these funds effectively could have a material adverse effect on the Corporation's business.

Return on Investment Risk

There is no guarantee that an investment in Offered Units and/or Over-Allotment Securities will earn any positive return in the short or long term. A purchase of Offered Units and/or Over-Allotment Securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks, who have no need for immediate liquidity in their investment and who have the financial capacity to absorb a loss of some or all of their investment.

Risks Related to the Corporation's Business

Going Concern Uncertainty & Negative Cash Flow from Operations

The 2021 Interim Financial Statements and the 2020 Audited Financial Statements were each prepared on a "going concern" basis, which assumes that the Corporation 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 six-month period ended June 30, 2021, the Corporation earned a net income of \$2,000,000, utilized funds of \$6,100,000 in its operations and has net current liabilities of \$2,100,000. During the year ended December 31, 2020, the Corporation incurred a net loss of \$9,200,000, utilized funds amounting to \$4,200,000 in its operations and has net current assets of \$5,600,000. To the extent that the Corporation has negative operating cash flow in future periods, it will need to allocate a portion of its cash (including the net proceeds from the Offering) to fund such negative cash flow. If the Corporation experiences future negative cash flow, the Corporation may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that the Corporation will be able to

generate a positive cash flow from its operations, that additional capital or other types of financing will be available when needed, or that these financings will be on terms favourable to the Corporation.

The effects that the COVID-19 pandemic have had, and are expected to continue to have, on the overall business environment and financial markets give rise to uncertainty as to the future impacts it may have on the Corporation. The Canadian federal and provincial governments have deemed cannabis producers and retailers to be essential services and, as such, the Corporation's operations have been ongoing throughout the pandemic period to date. In order to continue as a going concern, the Corporation must generate sufficient income and cash flows to repay its obligations, finance operations and fund capital investments. The future of the Corporation 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 lenders and obtain new financing. There is no certainty that the Corporation will raise these necessary funds from operations or financings. As a result of these factors, there is material uncertainty that may result in significant doubt as to the ability of the Corporation to meet its obligations as they come due and continue as a going concern. The Corporation expects to comply with the financial covenants applicable to the Commitment Letter for at least the next twelve months. A decrease or sustained period of materially reduced demand for the Corporation's principal products may result in non-compliance with the financial covenants and reduced liquidity related to changes in the Commitment Letter. Non-compliance with the financial covenants in the Commitment Letter could result in the debt becoming due and payable on demand. Should the Corporation anticipate non-compliance, the Corporation will proactively approach Connect First to amend the Commitment Letter to ensure its availability. There is no certainty that the Corporation will be successful in negotiating such amendments. The 2021 Interim Financial Statements and the 2020 Audited Financial Statements do not reflect adjustments that may be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for the 2021 Interim Financial Statements and the 2020 Audited Financial Statements, 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.

Impacts of Pandemics

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

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

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

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

- reduced cash flows resulting in less funds from operations being available to fund capital expenditure budgets and operating expenses;
- counterparties being unable to fulfill their contractual obligations on a timely basis or at all;
- changes implemented by any provincial or federal regulator, or revisions, amendments or additional requirements of any revised statute or regulation related to the business of the Corporation; and
- the ability to obtain additional capital including, but not limited to, debt and equity financing being adversely impacted as a result of unpredictable financial markets and/or a change in market fundamentals.

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

The extent to which the COVID-19 pandemic continues to impact the Corporation's results, business, financial condition, or liquidity will depend on future developments in Canada, the U.S. and globally. Despite the approval of certain vaccines by the regulatory bodies in Canada and the U.S., the ongoing evolution of the distribution and uptake of effective vaccines continues to raise uncertainty.

TRADING PRICE AND VOLUME OF THE COMMON SHARES

The Common Shares are traded on the TSXV under the symbol "DB". The following table shows the high and low trading price and volume traded for the Common Shares the 12-month period prior to the date of this short form prospectus.

| Period | Common Shares | | |
|----------------|---------------|----------|------------|
| | High (\$) | Low (\$) | Volume |
| September 2020 | 0.105 | 0.075 | 3,191,190 |
| October 2020 | 0.090 | 0.070 | 3,641,239 |
| November 2020 | 0.090 | 0.065 | 4,890,383 |
| December 2020 | 0.075 | 0.060 | 6,988,231 |
| January 2021 | 0.200 | 0.080 | 12,109,211 |
| February 2021 | 0.215 | 0.135 | 10,910,566 |
| March 2021 | 0.175 | 0.150 | 3,649,559 |
| April 2021 | 0.190 | 0.150 | 5,638,233 |
| May 2021 | 0.350 | 0.170 | 10,978,772 |
| June 2021 | 0.360 | 0.250 | 7,093,357 |
| July 2021 | 0.365 | 0.240 | 7,822,672 |
| August 2021 | 0.365 | 0.270 | 9,413,147 |

PRIOR SALES

The following table summarizes the issuances of Common Shares and securities convertible into Common Shares within the 12-month period prior to the date of this short form prospectus.

| Date of Issuance | Description of Transaction | Number of Securities | Price per Security⁽¹⁾ |
|-------------------------|-----------------------------------|----------------------------------|---|
| April 16, 2021 | Grant of Options | 4,246,003 Options ⁽²⁾ | \$0.17 |
| August 18, 2021 | Grant of Options | 2,500,000 Options ⁽²⁾ | \$0.34 |

Notes:

- (1) Represents the issue price for Common Shares and the exercise price for securities convertible into Common Shares.
- (2) Each Option entitles the holder thereof upon exercise to acquire one Common Share in accordance with the Option Plan.

INTERESTS OF EXPERTS

KPMG LLP ("**KPMG**"), Chartered Professional Accountants, Calgary, Alberta, was the external auditor who issued the Auditor's Report to Shareholders with respect to the consolidated statements of financial position of the Corporation as at December 31, 2020 and 2019, and the consolidated statements of loss, comprehensive loss, changes in equity, and cash flows for the years then ended. KPMG are the auditors of the Corporation and have confirmed with respect to the Corporation that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

LEGAL MATTERS

Legal matters in connection with the issue and sale of the Offered Units will be passed upon, on behalf of the Corporation, by Burnet, Duckworth & Palmer LLP and, on behalf of the Underwriters, by Stikeman Elliott LLP. The partners, associates and counsel of each of Burnet, Duckworth & Palmer LLP, as a group, and Stikeman Elliott LLP, as a group, beneficially own, directly or indirectly, less than 1% of the issued and outstanding securities of the Corporation or of any associate or affiliate of the Corporation.

TRANSFER AGENT

Odyssey Trust Company is transfer agent for the Common Shares and will act as Warrant Agent for the Warrants at its principal office in Calgary, Alberta.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

In an offering of warrants (including the Warrants), investors are cautioned that the statutory right of action for damages for a misrepresentation contained in a prospectus is limited, in certain provincial securities legislation, to the price at which the warrants are offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon exercise of the warrants, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal advisor.

CERTIFICATE OF THE CORPORATION

Dated: September 1, 2021

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of the provinces of Canada other than Québec.

(signed) "*Paul Wilson*"
Chief Executive Officer

(signed) "*Stuart Boucher*"
Chief Financial Officer

On Behalf of the Board of Directors

(signed) "*Cody Church*"
Director

(signed) "*Michael Kelly*"
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: September 1, 2021

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of the provinces of Canada other than Québec.

EIGHT CAPITAL

(signed) "*Tony Loria*"
Vice Chairman

RAYMOND JAMES LTD.

(signed) "*Rajiv Chail*"
Director

HAYWOOD SECURITIES INC.

(signed) "*Mathieu Couillard*"
Managing Director