

# **DECIBEL CANNABIS COMPANY INC.**

**Management's Discussion and Analysis**

**September 30, 2022**

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Decibel Cannabis Company Inc. and its subsidiaries (the "Company" or "Decibel") is dated as of November 14, 2022.

This MD&A should be read in conjunction with the Company's condensed consolidated interim financial statements for the three and nine months ended September 30, 2022, and 2021, inclusive of the accompanying financial statements notes (the "Consolidated Interim Financial Statements"), all of which were prepared based on with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". Readers should also refer to the "Forward-Looking Information" legal advisory and "Cautionary Statement Regarding Certain Non-GAAP Measures" cautionary statement at the end of this MD&A.

All financial amounts and measures are expressed in Canadian dollars unless otherwise indicated.

This MD&A has been prepared with reference to the National Instrument 51-102 Continuous Disclosure Obligations established by the Canadian Securities Administrators. Additional information concerning Decibel, including its Consolidated Interim Financial Statements can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Company Overview**

On March 1, 2020, pursuant to a series of internal reorganization transactions, Westleaf Inc. amalgamated with a wholly-owned subsidiary which resulted in the name of the Company changing to "Decibel Cannabis Company Inc.". The common shares of Decibel ("Common Shares") trade on the TSX-Venture Exchange ("TSX-V") under the ticker symbol "DB" and on the OTCQB Venture Market under the symbol "DBCCF". The Convertible Debentures (as defined herein) traded on the TSX-V under the trading symbol "DB.DB". On May 10, 2022, the Convertible Debentures were fully repaid. The Company's warrants trade on the TSX-V under the trading symbol "DB.WT.A".

### Description of the Business and Corporate Strategy

Decibel's strategy is to build a cannabis company, focused on premium cannabis flower, vape, cannabis infused, and concentrate products, created through a vertically integrated business model. The three components of this strategy, among others, are:

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

### *Cannabis Cultivation*

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

The Company has a second cannabis production facility with 80,000 square feet of indoor cultivation, packaging and processing space, located in Battleford, Saskatchewan (the “Thunderchild Cultivation Facility”). On January 29, 2021, Decibel’s wholly owned subsidiary, dB Thunderchild Cultivation LP, which owns and operates the Thunderchild Cultivation Facility, received a cultivation license from Health Canada to grow, harvest, trim and store cannabis, becoming a licensed producer. Initial planting and activation of all 20 rooms at the Thunderchild Cultivation Facility was completed at the end of July 2021 and run-rate harvests were achieved in October 2021. To reinforce the Company’s commitment to quality products, the Company has accelerated the implementation of the planned infrastructure optimization at its Thunderchild Cultivation Facility, which is now complete.

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

The Company has entered into supply agreements for flower products with the Alberta Gaming, Liquor and Cannabis Commission (the “AGLC”), the Ontario Cannabis Retail Association, the British Columbia Liquor Distribution Board, the Manitoba Liquor & Lotteries Corporation, and has also agreed to supply Cannabis Products to the Prince Edward Island Cannabis Management Corporation and Cannabis New Brunswick. The Company is registered as a cannabis supplier in Saskatchewan.

Decibel has four dried cannabis brands, two positioned as premium and ultra-premium brands, Qwest, and Qwest Reserve, and two positioned as core-segment and value-segment brands, Blendcraft by Qwest and General Admission.

### *Extraction and Manufacturing of Cannabis Derivative Products*

Decibel has a large-scale cannabis extraction, processing, and manufacturing facility in Calgary, Alberta (“The Plant”). The Plant is a 60,000 square foot facility with 18,150 square feet of Health Canada licensed space. On July 13, 2020, the Company received a sales amendment from Health Canada for the ability to manufacture and sell dried cannabis, cannabis extracts, and edible cannabis as finished cannabis products to provincial wholesalers and retailers. On March 14, 2022, Decibel announced the completion of the construction of Phase 1 of its processing hub expansion at The Plant, received its Health Canada license on May 2, 2022, and has initiated permitting for Phase 2 construction to complete the remainder of the project. The Phase 1 area includes newly automated processing and packaging lines for infused pre-roll products accompanied by significantly reduced labour and logistics costs.

Decibel engages in processing, manufacturing, and packaging activities at The Plant. Currently, the Company sells vape cartridges, cannabis infused products, pre-rolls, and cannabis extracts (also known as concentrates) from The Plant.

The Company has entered into supply agreements for derivative products with the AGLC, the Ontario Cannabis Retail Association, the British Columbia Liquor Distribution Board, the Manitoba Liquor & Lotteries Corporation and Cannabis New Brunswick. The Company is registered as a cannabis supplier in Saskatchewan.

Decibel has two cannabis derivative product brands, one positioned as premium brand, Pressed by Quest, and one positioned as a core-segment brand, General Admission.

#### *Retail Locations and Operations*

As of September 30, 2022, Decibel had six Prairie Records cannabis retail stores in operation in Saskatchewan and Alberta. There are three operational retail locations in Saskatchewan, with two stores located in Saskatoon and one in Warman, as well as an e-commerce cannabis platform throughout the Province of Saskatchewan. There are three operational retail locations in Alberta, with two stores located in Calgary and one in Edmonton.

#### *Going Concern*

The Consolidated Financial Statements and MD&A have been prepared based on accounting policies applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. During the nine months ended September 30, 2022, the Company incurred a net loss of \$1.3 million, generated \$8.4 million of cash from operations and has net current assets of \$20.5 million as of September 30, 2022. The effects the Novel Coronavirus (“COVID-19”) pandemic have had, and may continue to have, on the overall business environment and financial markets gives rise to uncertainty as to the future impacts the COVID-19 pandemic may have on the Company. Refer to “*Impact and Response to the COVID-19 Pandemic*”.

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

The Company expects to comply with the financial covenants applicable to our credit facility (“Credit Facility”) with Connect First Credit Union Ltd. (“the Lender”) for at least the next twelve months. A decrease or sustained period of materially reduced demand for Decibel’s principal products or failure to produce adequate amounts thereof may result in non-compliance with the financial covenants and reduced liquidity related to changes in the Credit Facility. Non-compliance with the financial covenants in the Credit Facility could result in the debt becoming due and payable on demand. Should the Company anticipate non-compliance, Decibel will proactively approach its lender to amend the credit facilities to ensure their availability. There is no certainty that the Company will be successful in negotiating such amendments. As certain covenants are expected to be near the minimum amounts necessary, the Company maintains active communications with its lender.

This MD&A and the Consolidated 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 Consolidated 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.

#### **Impact and Response to the COVID-19 Pandemic**

The Company has continued to closely monitor the impact of the COVID-19 pandemic, with a focus on the health and safety of our employees, business continuity and the support of our communities. We have continued to operate while implementing various preventative measures and have experienced minimal disruption to our production and supply chain. In addition, our non-production workforce continues to effectively work from our head office and through the use of various technology tools, we are able to maintain our full operations and internal controls over financial reporting and disclosures.

## Quarterly Highlights

	Three months ended		Nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
<i>(thousands of Canadian dollars, except where noted)</i>				
Gross sales of flower <sup>1,2</sup>	\$2,776	\$4,269	\$12,726	\$13,220
Net sales of flower <sup>1,2</sup>	\$2,266	\$3,760	\$9,959	\$11,198
Gross sales of extracts <sup>1,2</sup>	\$23,386	\$9,701	\$59,321	\$25,547
Net sales of extracts <sup>1,2</sup>	\$13,706	\$6,586	\$37,014	\$17,854
Number of retail stores	6	6	6	6
Retail sales <sup>1,2</sup>	\$2,350	\$3,023	\$6,556	\$9,383
<b>Total</b>				
Gross revenue	\$28,512	\$16,992	\$78,603	\$48,150
Net revenue	\$18,322	\$13,369	\$53,529	\$38,435
Gross profit before fair value adjustments	\$9,451	\$4,101	\$22,944	\$14,174
Gross margin before fair value adjustments	52%	31%	43%	37%
Adjusted EBITDA <sup>2</sup>	\$4,259	\$1,784	\$9,948	\$5,966
Adjusted net income <sup>2</sup>	\$2,926	(\$1,948)	\$1,345	(\$4,758)
Cash flow from operations <sup>3</sup>	\$3,611	(\$5,906)	\$8,372	(\$12,027)

<sup>1</sup> In the table above, wholesale inventory transferred to the retail stores and subsequently sold of \$48 and \$462 for the three and nine months, respectively, have been eliminated from retail sales and attributed to wholesale sales of flower and extracts to provide a more accurate depiction of business performance.

<sup>2</sup> Non-GAAP financial measure. Refer to “*Cautionary Statement Regarding Certain Non-GAAP Measures*” for further details.

<sup>3</sup> Refer to “Cash Flows” for further details.

- Net revenue for the three and nine months ended September 30, 2022, was \$18.3 million and \$53.5 million, respectively, an increase of 37% and 39% over the comparative periods. Net revenue growth was driven by expanded distribution particularly in the Ontario market, the continued success of new General Admission and Qwest infused products and continued growth in demand for derivative products. During the third quarter, the Company undertook substantial debottlenecking of the Plant to meet growing demand for infused pre-roll products.
- Gross profit before fair value adjustments for the three and nine months ended September 30, 2022, was \$9.5 million and \$22.9 million, respectively, an increase of 130% and 62% over the comparative periods. Gross margin before fair value adjustments was 52% in the third quarter, compared to 31% over the comparative period. The Company began realizing significant cost savings for the full quarter from Q2 initiatives including operational efficiencies, automation equipment commissioned, and sourcing of more cost-effective components related to the manufacturing of cannabis products. The cost engineering initiatives and capital investments from the second quarter combined with additional equipment that landed early August drove continued sequential margin expansion. The Company anticipates there may be future volatility in its gross margin related to price competition and continues to target the upper end of the previously stated target of 40 – 45% gross margin.
- Adjusted EBITDA (as defined herein) for the three and nine months ended September 30, 2022, was \$4.3 million and \$9.9 million, respectively, an increase of 139% and 67% over the comparative periods. The increase in Adjusted EBITDA was primarily driven by growth in net revenue and gross margin before fair value adjustments, outpacing selling general and administration expenses (“SG&A”). Adjusted EBITDA is a non-GAAP financial measure. Refer to “*Cautionary Statement Regarding Certain Non-GAAP Measures*” for further details.

- Net sales of extracts for the three and nine months ended September 30, 2022, was \$13.7 million and \$37.0 million, respectively, an increase of 108% and 107% over the comparative periods. The increase in net sales of wholesale extract products is primarily attributable to expanded distribution, the launch of a new infused product line, and continued growth in demand for vapes.
- Net sales of flower for the three and nine months ended September 30, 2022, was \$2.3 million and \$10.0 million, respectively, a decrease of 40% and 11% over the comparative periods. The decrease in sales of wholesale flower products was driven by a material proportion of the Thunderchild facility being upgraded during the period to enhance yields and quality. Nearing the end of the quarter, the Company began reserving inventory in preparation for international export.
- Retail sales for the three and nine months ended September 30, 2022, was \$2.4 million and \$6.6 million, respectively, a decrease of 22% and 30% over the comparative periods. The decrease is attributable to increased competition in the retail business, specifically in Saskatchewan. Refer to “*Company Overview – Retail Locations and Operations*”.
- Adjusted Net Income (as defined herein) for the three and nine months ended September 30, 2022, was \$2.9 million and \$1.4 million, respectively, an increase of \$4.9 and \$6.1 million over the comparative periods. The increase in Adjusted Net Income was driven by growth in net revenue and gross margin before fair value adjustments, outpacing SG&A. Adjusted Net Income is a non-GAAP financial measure. Refer to “*Cautionary Statement Regarding Certain Non-GAAP Measures*” for further details.
- Cash flow from operations was \$3.6 million and \$8.4 million for the three and nine months ended September 30, 2022, an increase of \$9.5 million and \$20.4 million over the comparative periods. The increase in cash flow from operations is primarily attributable to the strong growth in net revenue and gross profit. The Company has implemented and continues to implement various cost engineering initiatives and capital investments to accelerate cash flow generation and managing working capital levels that will drive growth for the remainder of 2022.

## Recent Developments

### *Manufacturing Operations*

On March 14, 2022, Decibel announced the completion of the construction of Phase 1 of its processing hub expansion at The Plant, received its Health Canada license on May 2, 2022, and has initiated permitting for Phase 2 construction to complete the remainder of the project. The Phase I area includes automated processing and packaging lines for infused pre-roll products. Existing and planned equipment will significantly reduce labour requirements and logistics costs.

The Company also announced the completion of the Creston Facility upgrades in March, as a part of its staged infrastructure optimization project, which has had an observed impact on quality and yields of new harvests from the facility. In addition, in Q2 2022 the Company completed its staged infrastructure optimization at the Thunderchild Facility which in late Q3 2022 has demonstrated enhanced product quality and improvements to yields to better meet international demand for Decibel's products. Production volumes are expected to resume full run-rate production in the first half of 2023.

On June 29, 2022, Decibel announced the receipt of its CUMCS Equivalency IMC-G.A.P. certification to enable international export. The Company will be required to maintain its certification by demonstrating its continued compliance with the international regulations on an ongoing basis.

### *Corporate*

On May 11, 2022, Decibel announced the cash repayment of its 9.5% convertible debentures, which had a maturity date of May 10, 2022. The \$12 million cash repayment represents a full payout of the convertible debentures, which were subject to a conversion price of \$0.45 per common share. The Company met the pre-disbursement conditions required to draw-down \$12 million under its Credit Facility with its Lender and concurrently made the cash repayment of the convertible debentures. The Company's \$12 million draw-down from its Credit Facility is subject to a 60-month repayment term at a fixed rate of 4.75% per annum, amortized over 144 months. This extends the maturity date of \$12 million of debt by 4 years, removes approximately 6% of potential shareholder dilution, and results in \$0.6 million of annual interest expense savings.

On October 4, 2022, Decibel announced it has secured an on-going supply agreement with Breath of Life International Ltd. to launch Decibel's Qwest brand and cannabis products in Israel. The supply agreement is for \$4.8 million of premium cannabis product, with the first shipment expected in the fourth quarter.

### *New Unique and Innovative Product*

The Company launched or expanded distribution of the following products in the quarter:

- Total of 5 products launched in various provinces over the course of Q3 2022
- 2 General Admission vape flavours in distillate and live resin formats
- 3 General Admission and Qwest infused pre-rolls

## Operations

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
<i>(thousands of Canadian dollars)</i>				
Gross revenue	28,512	16,992	78,603	48,150
Excise taxes	(10,190)	(3,623)	(25,074)	(9,715)
<b>Net revenue</b>	<b>18,322</b>	<b>13,369</b>	<b>53,529</b>	<b>38,435</b>
Cost of goods sold	(8,871)	(9,268)	(30,585)	(24,261)
<b>Gross profit before fair value adjustments</b>	<b>9,451</b>	<b>4,101</b>	<b>22,944</b>	<b>14,174</b>
Unrealized gain on changes in fair value of biological assets (loss)	5,425	7,184	12,856	15,539
Change in fair value of biological assets realized through inventory sold	(3,182)	(6,149)	(15,516)	(9,692)
<b>Gross profit</b>	<b>11,694</b>	<b>5,136</b>	<b>20,284</b>	<b>20,021</b>
Selling, general and administration	(5,614)	(3,915)	(14,874)	(11,378)
Depreciation and amortization	(895)	(954)	(2,714)	(2,770)
Share-based compensation	738	(117)	(1,355)	(1,620)
<b>Income from operations (loss)</b>	<b>5,923</b>	<b>150</b>	<b>1,341</b>	<b>4,253</b>
Finance costs	(637)	(1,038)	(2,464)	(3,044)
Foreign exchange gain (loss)	(99)	(52)	(216)	(133)
Gain on disposal of property, plant and equipment (loss)	(81)	-	(81)	(34)
Transaction costs	-	-	(10)	-
Other income (loss)	63	14	115	34
<b>Income before taxes (loss)</b>	<b>5,169</b>	<b>(926)</b>	<b>(1,315)</b>	<b>1,076</b>
Current taxes	-	13	-	13
Deferred taxes	-	-	-	-
<b>Net income and comprehensive income (loss)</b>	<b>5,169</b>	<b>(913)</b>	<b>(1,315)</b>	<b>1,089</b>

## Net Revenue

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
<i>(thousands of Canadian dollars)</i>				
Gross wholesale revenue	26,162	13,969	72,047	38,767
Excise taxes	(10,190)	(3,623)	(25,074)	(9,715)
<b>Net wholesale revenue</b>	<b>15,972</b>	<b>10,346</b>	<b>46,973</b>	<b>29,052</b>
Retail revenue	2,350	3,023	6,556	9,383
<b>Net revenue</b>	<b>18,322</b>	<b>13,369</b>	<b>53,529</b>	<b>38,435</b>

Net revenue for the three and nine months ended September 30, 2022, was \$18.3 million and \$53.5 million, respectively, an increase of 37% and 39%, over the comparative periods. Net revenue growth was driven by expanded distribution particularly in the Ontario market, the continued success of new General Admission and Qwest infused products and continued growth in demand for derivative products. During the third quarter, the Company undertook substantial debottlenecking of the Plant to meet growing demand for infused pre-roll products.

### Excise Taxes

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
<i>(thousands of Canadian dollars, except where noted)</i>				
Gross wholesale revenue	26,162	13,969	72,047	38,767
Excise taxes	10,190	3,623	25,074	9,715
<b>Excise taxes as a percentage of gross wholesale revenue</b>	<b>38.9%</b>	<b>25.9%</b>	<b>34.8%</b>	<b>25.1%</b>

Excise taxes as a percentage of wholesale revenue increased over the comparative periods due to increased sales of derivative products which have a higher excise tax rate relative to dried flower. Derivative products are taxed based on milligrams of THC whereas flower products are taxed on a flat rate, resulting in derivative products having a disproportionate amount of excise tax as a percentage of gross revenue relative to flower products. The Company continues to see significant growth in sales of its derivative products which drove the increase within the period.

### Gross Profit before Fair Value Adjustments

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
<i>(thousands of Canadian dollars, except where noted)</i>				
Net revenue	18,322	13,369	53,529	38,435
Cost of goods sold	(8,871)	(9,268)	(30,585)	(24,261)
<b>Gross profit before fair value adjustments</b>	<b>9,451</b>	<b>4,101</b>	<b>22,944</b>	<b>14,174</b>
Gross margin before fair value adjustments	52%	31%	43%	37%

During the three and nine months ended September 30, 2022, the Company incurred cost of goods sold of \$8.9 million and \$30.6 million, resulting in a gross profit before fair value adjustments of \$9.5 million and \$22.9 million, respectively. Gross margin before fair value adjustments grew 68% and 16% over the comparative periods. The Company began realizing significant cost savings for the full quarter from Q2 initiatives including operational efficiencies, automation equipment commissioned, and sourcing of more cost-effective components related to the manufacturing of cannabis products. The cost engineering initiatives and capital investments from the second quarter combined with additional equipment that landed early August drove continued sequential margin expansion. The Company anticipates there may be future volatility in its gross margin related to price competition and continues to target the upper end of the previously stated target of 40 – 45% gross margin.

### Unrealized Gain on Changes in Fair Value of Biological Assets

Unrealized gain on changes in fair value of biological assets represents the markup to fair value of biological assets as they are undergoing biological transformation. This fair value is determined as the expected sales price net of costs to sell and costs to complete. For the three and nine months ended September 30, 2022, the Company recognized unrealized gains of \$5.4 million and \$12.9 million, respectively, a decrease of 24% and 17% over the comparative periods. The decrease over both periods is primarily attributable to the broadening of product offerings including General Admission flower which reduces fair value per gram and a decrease in estimated yields as the Company undertakes facility upgrades at the Thunderchild facility. This was partially offset by an increase in yields at the Creston facility.

### *Change in Fair Value of Biological Assets Realized Through Inventory Sold*

Change in fair value of biological assets realized through inventory sold is the fair value less costs to sell recognized during the biological transformation process related to cannabis inventory sold during the period. For the three and nine months ended September 30, 2022, the Company recognized a change in the fair value of inventory sold of \$3.2 million and \$15.5 million, respectively. The decrease in fair value change for the three months ended September 30, 2022 was driven by lower fair value assigned to cannabis inventory. The increase in fair value change over the nine months ended September 30, 2022 was driven by a change in management estimates relating to the realized price per gram as the company broadened its product offering, largely realized in the first half of 2022.

### *Selling, General and Administration*

Details of the most significant expense items in SG&A, are as follows:

	Three months ended		Nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
<i>(thousands of Canadian dollars)</i>				
Salaries and wages	2,542	1,933	6,513	5,155
Office and general	1,469	1,150	3,902	4,163
Consulting fees	461	169	959	616
Professional fees	202	120	322	263
Travel and accommodation	161	180	507	372
Marketing and branding	733	245	2,322	465
Severance	46	118	349	344
<b>Total selling, general and administration</b>	<b>5,614</b>	<b>3,915</b>	<b>14,874</b>	<b>11,378</b>

SG&A expenses increased over the comparative periods primarily due to increases in salaries and wages and marketing and branding spend to support broader distribution across Canada and increased activity for The Plant in support to meet growing demand.

## Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (“Adjusted EBITDA”)

	Three months ended		Nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
<i>(thousands of Canadian dollars)</i>				
Net income (loss)	5,169	(913)	(1,315)	1,089
Unrealized loss on changes in fair value of biological assets (gain)	(5,425)	(7,184)	(12,856)	(15,539)
Change in fair value of biological assets realized through inventory sold	3,182	6,149	15,516	9,692
Depreciation and amortization	895	954	2,714	2,770
Share-based compensation	(738)	117	1,355	1,620
Other loss (income)	(63)	(14)	(115)	(34)
Transaction costs	-	-	10	-
Finance costs	637	1,038	2,464	3,044
Foreign exchange loss (gain)	99	52	216	133
Loss on disposal of property, plant, and equipment (gain)	81	-	81	34
Non-cash cost of goods sold <sup>1</sup>	376	305	1,284	736
Other adjustments <sup>2</sup>	46	117	594	344
Other non-cash costs <sup>3</sup>	-	1,163	-	2,077
<b>Adjusted EBITDA<sup>4</sup></b>	<b>4,259</b>	<b>1,784</b>	<b>9,948</b>	<b>5,966</b>

<sup>1</sup> Relates to depreciation and amortization included in cost of goods sold, write downs of inventory to net realizable value, and abnormal waste. For the three months ended September 30, 2022, non-cash cost of goods sold was comprised of \$376 of depreciation and amortization. For the nine months ended September 30, 2022, non-cash cost of goods sold was comprised of \$1,284 of depreciation and amortization.

<sup>2</sup> Severance payments of \$46 are added back in the Company’s Adjusted EBITDA calculation for covenant reporting purposes. For the nine months ended September 30, 2022, other adjustments included \$349 of severance payments and \$245 of air freight charges related to supply chain issues. These amounts are included in SG&A expenses and cost of goods sold in the Company’s consolidated statements of income (loss) and comprehensive income (loss).

<sup>3</sup> Other non-cash costs relate primarily to the destruction of inventory at the three processing facilities. These amounts are included in cost of good sold in the Company’s consolidated statements of income (loss) and comprehensive income (loss).

<sup>4</sup> Non-GAAP financial measure. Refer to “*Cautionary Statement Regarding Certain Non-GAAP Measures*” for further details.

The increase in Adjusted EBITDA for the three and nine months ended September 30, 2022, over the comparative periods was primarily driven by expanded gross margin before fair value adjustments, outpacing SG&A.

## Adjusted Net Income (“Adjusted Net Income”)<sup>1</sup>

	Three months ended		Nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
<i>(thousands of Canadian dollars)</i>				
Net income and comprehensive income (loss)	5,169	(913)	(1,315)	1,089
Unrealized gain on changes in fair value of biological assets	(5,425)	(7,184)	(12,856)	(15,539)
Change in fair value of biological assets realized through inventory sold	3,182	6,149	15,516	9,692
<b>Adjusted net income (loss)</b>	<b>2,926</b>	<b>(1,948)</b>	<b>1,345</b>	<b>(4,758)</b>

<sup>1</sup> Non-GAAP financial measure. Refer to “*Cautionary Statement Regarding Certain Non-GAAP Measures*” for further details.

The increase in Adjusted Net Income for the three and nine months ended September 30, 2022, over the comparative periods was driven by net revenue growth, expanded gross margin before fair value adjustments, and reductions in finance costs following the repayment of the Convertible Debenture which carried higher interest expense.

## Statement of Financial Position

### *Inventory*

As of September 30, 2022, the Company had \$46.1 million (December 31, 2021 - \$34.6 million) in inventory related to cannabis and cannabis accessories. The increase over the comparative period is primarily due to commercialization and sale of vape, concentrate, and infused products at The Plant, growth in dried flower inventory at the Creston Facility, growth in fresh cannabis at the Thunderchild Cultivation Facility and retail cannabis inventory.

### *Other Current Assets*

As of September 30, 2022, the Company had other current assets of \$3.1 million (December 31, 2021 - \$4.8 million). This balance is comprised of deposits for inventory purchases or services and deposits related to genetics purchases.

The genetics purchase agreement that Decibel entered into on January 1, 2021, allows the Company to purchase genetics assets from a non-arm's length third party over a three plus two-year optional term. Amounts are payable quarterly and are presented on the consolidated statements of financial position as deposits until such time that title of the intangible assets are transferred to the Company.

The sub-lease receivable asset relates to a leased corporate head office real property location that has been sub-leased to a third party for a term of fifty-two months.

For the nine months ended September 30, 2022, the Company incurred the following:

- \$1,369 (December 31, 2021 - \$652) in construction costs. These additions relate to capital improvements at The Plant and Thunderchild Cultivation Facility.
- \$411 (December 31, 2021 - \$170) in building additions. These additions relate to capital improvements at The Plant and Thunderchild Cultivation Facility and HVAC upgrades at the Creston Facility.
- \$362 (December 31, 2021 - \$1,697) in production equipment. These additions are related to facility upgrades to enhance quality and yields at the Creston Facility, and automation equipment to reduce labour force requirements at the Thunderchild Cultivation Facility. Additions at The Plant include various equipment utilized to reduce labour force requirements, expand capacity, and streamline production.
- Nil (December 31, 2021 - \$52) in leasehold improvements. There were no additions in the current period.
- \$331 (December 31, 2021 - \$389) in other capital additions related to furniture, fixtures, and computer hardware and software for corporate purposes.

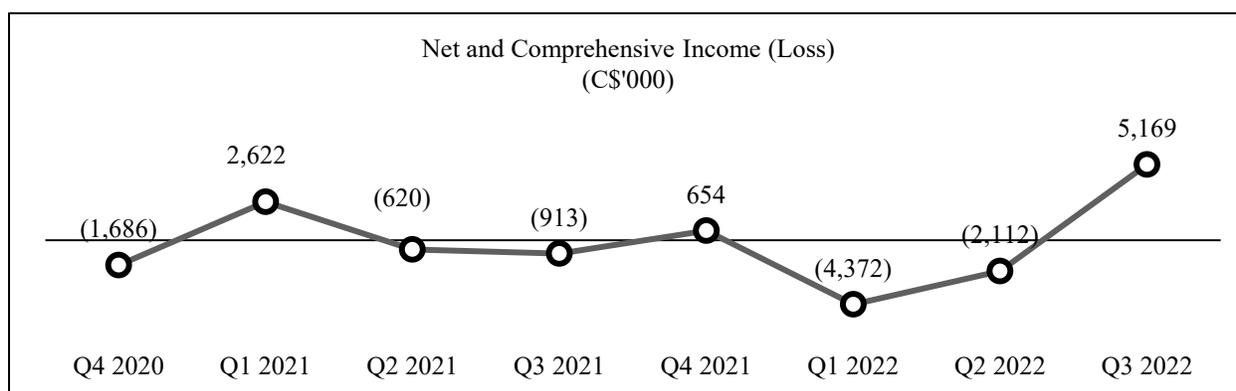
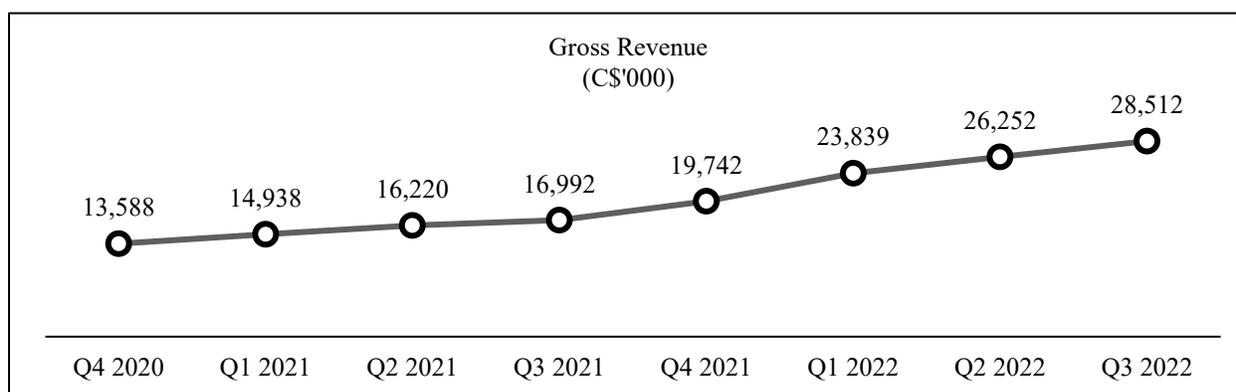
### *Right-of-Use Assets and Lease Liabilities*

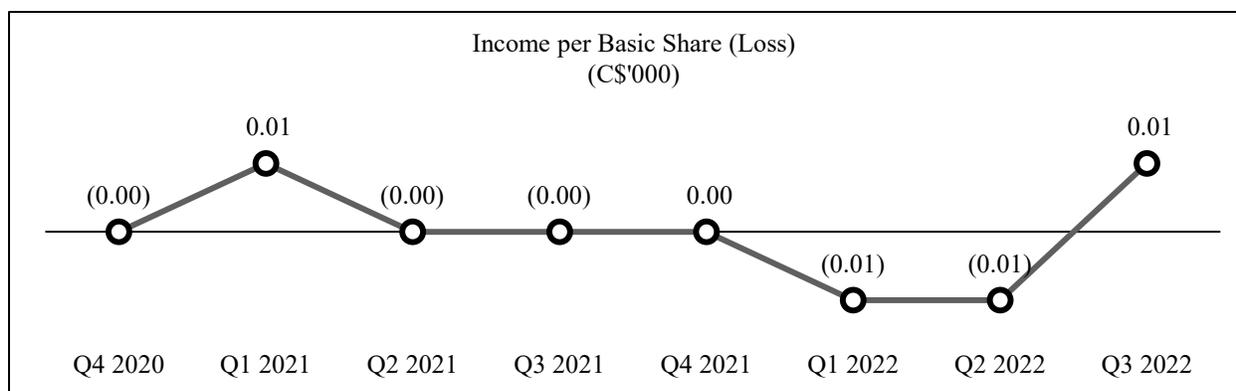
As of September 30, 2022, right-of-use assets totalled \$4.1 million (December 31, 2021 - \$3.3 million) and lease liabilities totalled \$4.4 million (December 31, 2021 - \$4.4 million).

## Summary of Quarterly Results

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

	Gross Revenue	Net and comprehensive income (loss)	Income (loss) per share basic / diluted
<i>(thousands of Canadian dollars, except per share amounts)</i>			
December 31, 2020	13,588	(1,686)	(0.00) / (0.00)
March 31, 2021	14,938	2,622	0.01 / 0.01
June 30, 2021	16,220	(620)	(0.00) / (0.00)
September 30, 2021	16,992	(913)	(0.00) / (0.00)
December 31, 2021	19,742	654	0.00 / 0.00
March 31, 2022	23,839	(4,372)	(0.01) / (0.01)
June 30, 2022	26,252	(2,112)	(0.01) / (0.01)
September 30, 2022	28,512	5,169	0.01 / 0.01





The increase in gross revenue over the last eight quarters is primarily attributable to increased volumes of vape, infused products, concentrate products, and dried cannabis sold.

Net income (loss) over the last eight quarters fluctuated primarily due to unrealized fair value gains from biological assets, net revenue growth, cost engineering measures employed by management, inventory write-offs, and recognition of stock-based compensation expenses.

### Liquidity and Capital Resources

To date, the Company has met its operational and capital requirements primarily through debt financing, equity financings, and the generation of net revenues. The Company's ability to sustain its capital resourcing needs with cash flows from operations is contingent upon successful ongoing operations and the availability of future financing to sustain working capital requirements.

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

The Company's working capital details are as follows:

As at	September 30, 2022	December 31, 2021
<i>(thousands of Canadian dollars)</i>		
Cash	4,405	1,919
Accounts receivable	17,114	12,839
Other current assets	3,117	4,756
Biological assets	2,225	2,460
Inventory	46,070	34,656
Accounts payable and accrued liabilities	(43,111)	(24,961)
Current portion of lease liabilities	(641)	(732)
Current portion of long-term debt	(8,635)	(9,806)
Convertible debentures	-	(11,616)
<b>Total working capital<sup>1</sup></b>	<b>20,544</b>	<b>9,515</b>

<sup>1</sup> Capital management measure. Refer to "Cautionary Statement Regarding Certain Non-GAAP Measures" for further details.

As of September 30, 2022, the Company had a working capital (see “*Cautionary Statement Regarding Certain Non-GAAP Measures*”) surplus of \$20.5 million (2021 - \$9.5 million surplus) and a total consolidated cash position of \$4.4 million (December 31, 2022 - \$1.9 million). This cash is available for use towards working capital requirements and servicing of debt. The increase of inventory and accounts payable reflect a forward view on future Canadian and international sales. The Company has actively entered into supply agreements and expanded payment terms in an effort to invest in inventory to meet expected significant growth in demand.

As at	September 30, 2022	December 31, 2021
<i>(thousands of Canadian dollars)</i>		
Term loans <sup>1</sup>	44,297	33,863
Convertible debentures <sup>2</sup>	-	11,616
<b>Total debt</b>	<b>44,297</b>	<b>45,479</b>
Share Capital	53,422	53,420
<b>Total Capitalization</b>	<b>97,719</b>	<b>98,899</b>

<sup>1</sup> Term loans include the Company’s term debt and authorized overdraft which both 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, for more information, refer to Note 14 of the Consolidated Financial Statements.

<sup>2</sup> Convertible debentures consist of unsecured convertible debentures with a face value of \$12.0 million (the “Convertible Debentures”). The Convertible Debentures were fully repaid on May 10, 2022. Due to their unsecured and subordinated position to the Lender, the Convertible Debentures were excluded from all ratio calculations (Refer to Note 14 of the Consolidated Financial Statements for details).

The decrease in Decibel's total capitalization as of September 30, 2022, over the comparative period is primarily related to the debt repayment during the period. Refer to “*Going Concern*”.

As of September 30, 2022, the Company had \$44.3 million of debt outstanding. The Company’s \$7.5 million accordion remains undrawn. The \$7.5 million accordion is subject to a trailing twelve month funded debt to EBITDA ratio (“Debt to EBITDA Ratio”) of less than or equal to 4.00:1.00 and other conditions as agreed upon with the Lender. As of September 30, 2022, Debt to EBITDA Ratio was 3.9x, and as a result the accordion is now available to the Company and will continue to be subject to maintaining a Debt to EBITDA Ratio of less than or equal to 4.00:1.00 and other conditions as agreed upon with the lender.

The Company's Credit Facility is subject to the following financial covenants. Due to their unsecured and subordinated position to the Company’s senior lender, the Convertible Debentures are excluded from all ratio calculations.

(a) Debt service coverage ratio

The Company shall not permit the debt service coverage ratio, defined as earnings before interest, depreciation, and amortization (“EBITDA”) less dividends declared or shareholder distributions, divided by the sum of all scheduled principal and interest paid by the Company for its current fiscal reporting year, calculated quarterly, to fall below 1.40:1.00.

As of September 30, 2022, the debt service coverage ratio was 2.92:1.00.

(b) Debt to equity ratio

The Company shall not permit the debt to equity ratio, defined as total liabilities divided by total equity adjusted for lender approved adjustments for conversions and appraisals, as presented on the consolidated statements of financial position, calculated annually to be greater than 1.00:1.00.

As of December 31, 2021, the debt to equity ratio was 0.71:1.00.

(c) Current ratio

The Company shall not permit the current ratio, defined as the ratio of current assets to current liabilities, as presented on the consolidated statements of financial position, calculated monthly on the last day of each month to fall below 1.25:1.00.

As of September 30, 2022, the current ratio was 1.39:1.00.

**Cash Flows**

	Three months ended		Nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
<i>(thousands of Canadian dollars)</i>				
Cash provided by operating activities (used in)	3,611	(5,906)	8,372	(12,027)
Cash provided by investing activities (used in)	(1,282)	(1,072)	(3,379)	(2,015)
Cash provided by financing activities (used in)	(1,052)	14,628	(2,507)	21,535
<b>Increase in cash (decrease)</b>	<b>1,277</b>	<b>7,650</b>	<b>2,486</b>	<b>7,493</b>
Cash, beginning of period	3,128	3,663	1,919	3,820
<b>Cash, end of period</b>	<b>4,405</b>	<b>11,313</b>	<b>4,405</b>	<b>11,313</b>

For the three and nine months ended September 30, 2022, cash provided by operating activities was \$3.6 million and \$8.4 million, respectively, an increase of \$9.5 million and \$20.4 million over the comparative period. The increase in cash flow from operations is primarily attributable to the strong growth in net revenue and gross profit.

For the three and nine months ended September 30, 2022, cash used in investing activities was \$1.3 million and \$3.4 million. The increase was driven by the construction of the Plant processing hub, automation equipment, and the staged infrastructure upgrades to the Creston Facility and the Thunderchild Facility. Refer to “*Statement of Financial Position – Capital Additions*”.

For the three and nine months ended September 30, 2022, cash used by financing activities was \$1.1 million and \$2.5 million. Cash used in financing activities during the period is primarily due to repayment of long-term debt. Refer to “*Liquidity and Capital Resources*”.

**Contractual Obligations**

As of September 30, 2022, Decibel had contractual obligations as detailed below:

	Total	<1 Year	<2 Years	<3 Years	<4 Years	<5 Years	Thereafter
<i>(thousands of Canadian dollars)</i>							
Accounts payable and accrued liabilities:	43,107	43,107	-	-	-	-	-
Lease liabilities	5,348	865	665	605	433	364	2,416
Loans and borrowings <sup>1</sup>	57,133	10,633	4,641	4,641	4,486	4,434	28,298
<b>Total</b>	<b>105,588</b>	<b>54,605</b>	<b>5,306</b>	<b>5,246</b>	<b>4,919</b>	<b>4,798</b>	<b>30,714</b>

<sup>1</sup> Includes expected interest payments until maturity date.

## **Commitments**

### *Equipment purchases*

The Company is committed to payments of \$201 pertaining to equipment purchases for the production facilities currently in the process of being manufactured or delivered by various suppliers.

### *Legal Claims*

The Company may become defendants in legal actions taken against the Company. Decibel is not aware of any material or significant claims against the Company.

## **Outstanding Share Data**

As of the date of this MD&A, the Company had 404 million Common Shares outstanding, 29 million Common Share purchase warrants outstanding, 1 million restricted share units outstanding, and 39 million stock options outstanding.

### *Capital*

As of September 30, 2022, and December 31, 2021, the Company was authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares.

## **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements as of September 30, 2022, in the Consolidated Financial Statements nor as of the date of this MD&A that have or are reasonably likely to have a current or future effect on our financial performance or financial condition.

## **Changes in Accounting Policies**

There were no changes in accounting policies during the period ended September 30, 2022.

## **Critical Accounting Estimates**

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

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

Critical judgements, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

### *Biological assets and inventory*

The Company is required to make a number of estimates in calculating the fair value less costs to sell of biological assets. These estimates include a number of assumptions such as estimating the stage of growth of the cannabis, harvesting costs, sales price, and expected yields. Further information on estimates used in determining the fair value of biological assets is contained in Note 5.

The valuation of biological assets at the point of harvest is the cost basis for all cannabis-based inventory in the cultivation facility and, thus, any critical estimates and judgments related to the valuation of biological assets are also applicable for inventory. The valuation of work-in-process and finished goods also requires the estimate of conversion costs incurred, which become part of the carrying amount for the inventory. The Company must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged.

#### *Business combinations*

In a business combination, all identifiable assets, liabilities, and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert of management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. All acquisitions have been accounted for using the acquisition method.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will not exceed one year from the acquisition date.

#### **Financial Instruments**

IFRS requires that the Company disclose information about the fair value of our financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The Company's financial instruments consist of cash, investments, deposits included in other assets, accounts receivable, accounts payable and accrued liabilities, and term loan debt. Management estimates that the fair value of its cash, accounts receivable, and accounts payable and accrued liabilities approximates their carrying values as of September 30, 2022, due to the relatively short maturity periods of these instruments.

#### **Cautionary Statement Regarding Certain Non-GAAP Measures**

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

## Non-GAAP Financial Measures

- **Adjusted EBITDA:** Adjusted EBITDA is a measure of the Company's financial performance. It is intended to provide a proxy for the Company's operating cash flow and is widely used by industry analysts to compare Decibel to its competitors and derive expectations of future financial performance of the Company. Adjusted EBITDA increases comparability between comparative companies by eliminating variability resulting from differences in capital structures, management decisions related to resource allocation, and the impact of fair value adjustments on biological assets, inventory, and financial instruments, which may be volatile on a period to period basis. Adjusted EBITDA is not a recognized, defined, or standardized measure under IFRS. The Company calculates Adjusted EBITDA as net loss and comprehensive loss excluding unrealized gain on changes in fair value of biological assets, change in fair value of biological assets realized through inventory sold, depreciation and amortization expense, share-based compensation, other income, finance costs, foreign exchange loss, non-cash production costs and severance payments. Non-cash production costs relate to amortization expense allocations included in production costs. Refer to "*Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization*" for a detailed calculation of this measure. The numbers that are input into this calculation can be found in the statement of income and comprehensive income in the Company's Consolidated Financial Statements.
- **Adjusted Net Income:** Adjusted Net Income is a measure of the Company's financial performance. It is intended to provide a proxy for the Company's net income and comprehensive income and is used to compare Decibel to its competitors and derive expectations of future financial performance of the Company. Adjusted Net Income increases comparability between comparative companies by eliminating variability resulting from differences in management assumptions related to the impact of fair value adjustments on biological assets, which may be volatile on a period to period basis. Adjusted Net Income is not a recognized, defined, or standardized measure under IFRS. The Company calculates Adjusted Income as net loss and comprehensive loss excluding unrealized gain on changes in fair value of biological assets, change in fair value of biological assets realized through inventory sold. Refer to "*Adjusted Net Income*" for a detailed calculation of this measure. The numbers that are input into this calculation can be found in the statement of income and comprehensive income in the Company's Consolidated Financial Statements.
- **Retail Sales:** Retail Sales is a measure intended to provide a more accurate depiction of the revenue earned by the Company's retail operations. Inventory transferred directly from the Company's wholesale operations to the Company's retail operations is removed from Retail Revenue as presented in the Company's Consolidated Financial Statements.
- **Gross Sales of Flower:** Gross Sales of Flower is a measure intended to provide a more accurate depiction of gross revenue earned by the Company's wholesale flower operations. Inventory transferred directly from the Company's wholesale flower operations to the Company's retail operations is added to Gross Wholesale Revenue of Flower as found in the Company's Consolidated Financial Statements to arrive at Gross Sales of Flower.
- **Net Sales of Flower:** Net Sales of Flower is a measure intended to provide a more accurate depiction of net revenue earned by the Company's wholesale flower operations. Excise taxes associated with flower sales are subtracted from Gross Sales of Flower to arrive at Net Sales of Flower.
- **Gross Sales of Extracts:** Gross Sales of Extracts is a measure intended to provide a more accurate depiction of gross revenue earned by the Company's wholesale extracts operations. Inventory transferred directly from the Company's wholesale extracts operations to the Company's retail operations is added to Gross Wholesale Revenue of Extracts as found in the Company's Consolidated Financial Statements to arrive at Gross Sales of Extracts.
- **Net Sales of Extracts:** Net Sales of Extracts is a measure intended to provide a more accurate depiction of net revenue earned by the Company's wholesale extracts operations. Excise taxes associated with extracts sales are subtracted from Gross Sales of Extracts to arrive at Net Sales of Extracts.

- Working Capital: Working Capital is an indicative measure of the Company's ability to service its short-term financial obligations with short-term assets. Management believes this measure provides useful information about the Company's current short-term liquidity. Refer to "*Liquidity and Capital Resources*" for a detailed calculation of this measure. The numbers that are input into this calculation can be found in the statement of financial position in the Company's Consolidated Financial Statements.

## Other MD&A Disclosures

### *Forward-Looking Information*

This MD&A may contain "forward-looking information" with respect to the Company. This information may take the form of statements found within this document expressing the Company's expectations as to future outcomes and events based on the information currently available. All statements contained herein are given as at the date of this MD&A and the Company undertakes no obligation to update the information for new events or circumstances other than as required by securities laws. Forward-looking information and statements may be identifiable by the use of words such as "achieve", "anticipate", "budget", "could", "estimate", "expect", "future", "forecast", "intend", "may", "might", "occur", "plan", "potential", "prospective", "should", "will", "would" and other similar expressions. By their nature, forward-looking information and statements are inherently subject to the risk that the actual results can be materially different from the expected outcomes. The Company does not provide any assurance as to the accuracy of this forward-looking information and statements and cautions readers not to place undue reliance on such.

Certain forward-looking statements in this MD&A include, but are not limited to:

- the Company's strategy and expectations regarding the future development, costs and operation of The Plant, the Thunderchild Cultivation Facility, and the Creston Facility;
- that the Company's expects to comply with the financial covenants under the Credit Facility;
- that the Company will continue to build inventory for the international export of flower;
- the expectation that certain identified cost engineering initiatives and capital investments will accelerate cash flow generation and managing working capital levels and that will drive growth in the second half of 2022;
- the Company's expectations with respect to its ability to comply with its financial covenants;
- the Company's ability to amend the Credit Facility to ensure their availability should the Company anticipate non-compliance;
- the various initiatives and capital investments available to the Company and the impacts and benefits therefrom;
- that Thunderchild Facility Production volumes are expected to resume full run-rate production in the first half of 2023;
- the Company's expectations regarding maintaining licensing related to the cultivation, production and sale of cannabis and cannabis products by the Company, its subsidiaries, affiliates and partnerships;
- the occurrence, timing and amount of the expected \$4.8 million shipment of premium cannabis product, with the first shipment in the fourth quarter of 2022;
- the Company's expectations with regards to product launches and product sales and its ability to maintain wholesale, provincial and retail customers;
- future corporate development;
- expectations regarding future expenditures, including but not limited to both operational and capital expenditures;
- the Company's ability to ensure that it has sufficient funds to meet obligations as they become due;
- the Company's ability to access debt financing;
- the Company's contractual obligations and the anticipated timing thereof; and
- the Company's impact assessment of COVID-19.

Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, levels of activity, performance or achievements to differ materially from those anticipated in such forward-looking statements. Although the forward-looking statements contained in the MD&A are based upon what the Company believes to be reasonable assumptions, no assurance can be given that these expectations will prove to be accurate and such forward-looking statements included in this MD&A should not be unduly relied upon by investors. With respect to the forward-looking statements and FOFI (as defined below) contained in this MD&A, management has made assumptions regarding, among other things:

- Decibel's ability to enter new markets and industry verticals;
- Decibel's ability to attract, develop and retain key personnel;
- Decibel's ability raise additional capital and to execute on its expansion plans;
- the timelines for new product launches,
- Decibel's ability to continue investing in infrastructure and implement scalable controls, systems and processes to support its growth;
- the impact of competition;
- the changes and trends in our industry or the global economy;
- the Company's ability to generate sufficient cash flow from operations and obtain financing, if needed, on acceptable terms or at all;
- the general economic, financial market, regulatory and political conditions in which the Company operates;
- the ability of the Company to ship its products and maintain supply chain stability;
- consumer interest in the Company's products;
- anticipated and unanticipated costs;
- government regulation of the Company's activities and products;
- the timely receipt of any required regulatory approvals;
- the Company's ability to conduct operations in a safe, efficient and effective manner;
- the Company's construction plans and timeframe for completion of such plans; and
- the changes in laws, rules, regulations, and global standards.

Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking information and statements and FOFI contained herein include the risk factors set out in the Company's annual information form and management's discussion and analysis for the year ended December 31, 2021 and also include, but are not limited to:

- risks relating to delays, regulatory changes and impacts, capital requirements, construction impacts, displacement requirements and unforeseen requirements resulting from the COVID-19 pandemic;
- the ability to obtain and maintain licences to retail cannabis products;
- review of the Company's production facilities by Health Canada and maintenance of licences (including any amendments thereto) from Health Canada in respect thereof;
- future legislative and regulatory developments involving cannabis;
- inability to access sufficient capital from internal and external sources, and/or inability to access sufficient capital on favourable terms;
- the risk that the Company will be unable to amend the terms of the Credit Facility to ensure their availability should the Company anticipate non-compliance with its financial covenants;
- the risk that the Company may not receive licensing for The Plant on the timeline anticipated, or at all;
- the labour market generally and the ability to access, hire and retain employees; and
- general business, economic, competitive, political and social uncertainties.

Any financial outlook or future oriented financial information (in each case "**FOFI**") contained in this MD&A regarding prospective financial position, including, but not limited to: the various initiatives and capital investments available to the Company and their ability to accelerate cash flow generation and manage working capital levels; expectations regarding future expenditures, including but not limited to both operational and capital expenditures; and the Company's contractual obligations and the anticipated timing thereof, is based on reasonable assumptions about future events, including those described above, based on an assessment by management of the relevant information that is currently available. The actual results will likely vary from the amounts set forth herein and such variations may be material.

Readers are cautioned that the foregoing list of assumptions and risk factors is not exhaustive. The forward-looking information and statements and FOFI contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking information and statements and FOFI included in this MD&A are made as of the date hereof and Decibel does not undertake any obligation to publicly update such forward-looking information and statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

#### *Industry Trends and Risks*

Decibel's industry trends and risks remain unchanged from that discussed in the annual MD&A for the year ended Decibel 31, 2021, as filed on SEDAR at [www.sedar.com](http://www.sedar.com).