DECIBEL CANNABIS COMPANY INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2021 and 2020

(In Canadian Dollars)

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 17, 2021.

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, 2021, and 2020, inclusive of the accompanying financial statements notes (the "Consolidated Interim Financial Statements"), and in conjunction with the audited consolidated financial statements of the Company for the years ended December 31, 2020 and 2019, inclusive of the accompanying financial statement notes, all of which were prepared in accordance with International Financial Reporting Standards ("IFRS").

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

This MD&A has been prepared with reference to the National Instrument 51-102 Continuous Disclosure Obligations established by the Canadian Securities Administrators. Additional information concerning Decibel, including its Consolidated Interim Financial Statements can be found on SEDAR at 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) trade on the TSX-V under the trading symbol "DB.DB". The Company's warrants trade on the TSX-V under the trading symbol "DB.WT" and "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, 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. Decibel continues to invest heavily in working capital as Thunderchild Cultivation Facility approaches full scale production. Initial planting and activation of all 20 rooms at the Thunderchild Cultivation Facility was completed at the end of July 2021, with run-rate production available for sale anticipated by mid-Q4 2021.

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 15,000 square feet of Health Canada licensed space. On July 13, 2020, the Company received a sales amendment from Health Canada for the ability to manufacture and sell dried cannabis, cannabis extracts, and edible cannabis as finished cannabis products to provincial wholesalers and retailers.

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

The Company has entered into supply agreements for derivative 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 Cannabis New Brunswick. The Company is registered as a cannabis supplier in Saskatchewan.

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

Retail Locations and Operations

As at September 30, 2021, Decibel had six Prairie Records cannabis retail stores in operation in Saskatchewan and Alberta.

Saskatchewan

Decibel has 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.

Alberta

Decibel has three operational retail locations in Alberta, with two stores located in Calgary and one in Edmonton.

Going Concern

The Consolidated Interim 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 three and nine months ended September 30, 2021, the Company generated net earnings of $9 thousand and $2.0 million, respectively, utilized $5.9 million and $12.0 million, respectively, of cash in operations and has net current assets of $10.4 million as at September 30, 2021. The effects the Novel Coronavirus ("COVID-19") pandemic have had, and are expected to continue to have, on the overall business environment and financial markets gives rise to uncertainty as to the future impacts COVID-19 may have on the Company. 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 for at least the next twelve months. On May 13, 2021, the Company amended its credit facility agreement with Connect First Credit Union Ltd. ("Connect First") to provide an additional $6.0 million on its authorized overdraft. The additional capital was fully drawn in June 2021 to support and accelerate sales growth through the Thunderchild Cultivation Facility and new vape and concentrate launches. A decrease or sustained period of materially reduced demand for Decibel's principal products 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.

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

This MD&A and the Consolidated Interim 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 Interim 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 September 30		Nine months ended September 30	
	2021	2020	2021	2020
Net wholesale revenue of flower	$3,760	$2,861	$11,198	$7,142
Kilograms of flower sold	492	272	1,373	782
Average wholesale flower gross pricing per gram	$8.68	$10.18	$9.63	$10.15
Average wholesale flower net pricing per gram	$7.65	$8.68	$8.16	$8.41
Kilograms of salable cannabis harvested	769	178	1,749	701
Net wholesale revenue of extracts	$6,586	$785	$17,854	$785
Number of retail stores	6	6	6	6
Retail revenue	$3,023	$3,932	$9,383	$10,578
Total				
Net revenue	$13,369	$7,578	$38,435	$18,505
Gross profit before fair value adjustments	$4,101	$2,898	$14,174	$7,164
Gross margin	31%	38%	37%	39%
Adjusted EBITDA [1]	$1,784	$860	$5,966	$425
Cash flow from operations	($5,905)	($1,250)	($12,027)	($5,862)

[1] Adjusted EBITDA is a non-GAAP performance measure. Refer to "*Cautionary Statement Regarding Certain Non-GAAP Performance Measures*" for further details.

- Net revenue for the three and nine months ended September 30, 2021, of $13.4 million and $38.4 million respectively, a 76% and 108% increase, respectively, over the comparative periods. The increase is attributable to continued growth in sales of vape and concentrate products and increased volumes of dried cannabis sold, offsetting the decline in retail sales.

- Gross profit before fair value adjustments for the three and nine months ended September 30, 2021 was $4.1 million and $14.2 million, respectively, compared to $2.9 million and $7.2 million over the comparative periods. The increase is attributable to continued growth in sales of vape and concentrate products and improvements in the cost structure at the Creston Facility, partially offset by a provision of $922 recorded pertaining to the Plant inventory write offs. This provision was recorded in wholesale inventory ($833) and changes in fair value of biological assets realized through inventory sold ($89). The inventory provision is primarily related to the write off of unusable hardware, packaging materials, and various items related to discontinued products, as well as inventory held to satisfy an aged supply agreement that was mutually terminated.

- Adjusted EBITDA for the three and nine months ended September 30, 2021 was $1.8 million and $6.0 million, respectively, compared to $860 and $425 over the comparative periods. The increase in Adjusted EBITDA is a result of growth in net revenue and gross profit, outpacing selling general and administration expenses ("SG&A"). Adjusted EBITDA is a non-GAAP performance measure. Refer to *"Cautionary Statement Regarding Certain Non-GAAP Performance Measures"* for further details.

- Sold 492 and 1,373 kilograms of cannabis, respectively, for the three and nine months ended September 30, 2021 (2020 - 272 and 782 kilograms, respectively), achieving an average wholesale flower gross price per gram of $8.68 and $9.63, respectively (2020 - $10.18 and $10.15, respectively). The decrease in selling price is primarily attributable to sales mix of Qwest and Qwest Reserve products, addition of General Admission line of pre-rolls, price discounts and return provisions, and higher distribution fees on sales to provincial boards.

- Harvested 769 and 1,749 kilograms of salable cannabis, respectively, for the three and nine months ended September 30, 2021 (2020 – 178 and 701 kilograms, respectively). Increases in harvested cannabis over the comparative periods are primarily due to improvements in yields, combined with the addition of a grow room at the Creston Facility and the Thunderchild Cultivation Facility completed run-rate harvests in August 2021. Refer to "*Recent Developments – Manufacturing Operations*".

- Sold $6.6 million and $17.9 million of vape and concentrate products, respectively, for the three and nine months ended September 30, 2021 (2020 - $785 and $785, respectively). Decibel now has 43 vape and concentrate SKUs being sold in six provinces.

- Retail sales of $3.0 million and $9.4 million, respectively, (2020 - $3.9 million and $10.6 million, respectively) for the three and nine months ended September 30, 2021. The decrease is attributable to increased competition in the retail segment, specifically in Saskatchewan. Refer to "*Company Overview – Retail Locations and Operations"*.

Recent Developments

Manufacturing Operations

In July 2021, all 20 rooms of the Thunderchild Cultivation Facility were fully planted and commissioned, with The Company anticipating run-rate production available for sales by mid-Q4 2021. Refer to "*Company Overview – Description of the Business and Corporate Strategy – Cannabis Cultivation".*

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

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

On September 22, 2021, Decibel announced 27 new upcoming product launches in Ontario – 14 new flower products (6 jarred SKUs, 6 pre-rolls, a blended milled flower, and a General Admission large format pre-roll) and 13 premium live vape and concentrates products including 6 under the Pressed by Quest brand (Gems & Juice and solventless Cold Cure Live Rosin) and 7 under the General Admission Label (Distillate and Live Resin vapes).

Financing

On September 16, 2021, the Company closed a bought deal financing, pursuant to which the Company issued 51,750,000 units valued at $15,008 which were comprised of one common share of the Company and one-half of one common share purchase warrant. Each full common share purchase warrant is exercisable at a price of $0.40 per share for a period of thirty-six months from the date of closing. In connection with the financing, the Underwriter received a cash commission equal to $900 and 3,105,000 broker warrants. Each broker warrant is exercisable at $0.29 per share for a period of twenty-four months from the date of closing.

Corporate

On August 17, 2021, Decibel granted 2,500,000 stock options to the Chief Executive Officer of the Company in accordance with the Company's stock option plan.

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

Operations

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Revenue	16,992	8,166	48,150	20,047
Excise taxes	(3,623)	(588)	(9,715)	(1,542)
Net revenue	**13,369**	**7,578**	**38,435**	**18,505**
Cost of goods sold	9,268	4,680	24,261	11,341
Gross margin before fair value adjustments	**4,101**	**2,898**	**14,174**	**7,164**
Unrealized gain on changes in fair value of biological assets	7,184	1,374	15,539	2,485
Change in fair value of biological assets realized through inventory sold	(6,149)	(1,206)	(9,692)	(2,501)
Gross profit	**5,136**	**3,066**	**20,021**	**7,148**
Selling, general and administration	3,915	2,673	11,378	8,399
Depreciation and amortization	954	624	2,770	1,689
Share-based compensation	117	481	1,620	2,261
Income (loss) from operations	**150**	**(712)**	**4,253**	**(5,201)**
Other income	(14)	(5)	(34)	(32)
Finance costs	1,038	646	3,044	2,365
Foreign exchange gain (loss)	52	9	133	3
Loss on disposal of property, plant and equipment	-	-	34	(13)
Income tax expense (recovery)	(13)	-	(13)	-
Net income (loss) and comprehensive income (loss)	**(913)**	**(1,362)**	**1,089**	**(7,524)**

Net Revenue

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Wholesale revenue	13,969	4,234	38,767	9,469
Excise taxes	(3,623)	(588)	(9,715)	(1,542)
Net wholesale revenue	**10,346**	**3,646**	**29,052**	**7,927**
Retail revenue	3,023	3,932	9,383	10,578
Net revenue	**13,369**	**7,578**	**38,435**	**18,505**

For the three and nine months ended September 30, 2021, the Company recorded total net revenue of $13.4 million and $38.4 million, respectively (2020 - $7.6 million and $18.5 million, respectively). The increase over the comparative periods is primarily due to the addition of new product lines in vape and concentrate from The Plant and increased dried cannabis sales volumes, partially offset by decline in retail sales.

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

		Three months ended September 30		Nine months ended September 30	
		2021	2020	2021	2020
Total dried cannabis sales	$	4,269	2,768	13,220	7,938
Total dried cannabis sold	kg	492	272	1,373	782
Average wholesale gross flower pricing	**$ / gram**	**8.68**	**10.18**	**9.63**	**10.15**

Average wholesale gross flower pricing for the three and nine months ended September 30, 2021 was $8.68 per gram and $9.63 per gram, respectively (2020 - $10.18 per gram and $10.15 per gram, respectively). The decrease in selling price is primarily attributable to the sales mix of Qwest and Qwest Reserve products, addition of General Admission line of pre-rolls, price discounts and return provisions, and higher distribution fees on sales to provincial boards.

During the three and nine months ended September 30, 2021, the Company sold 492 kilograms and 1,373 kilograms, respectively, of dried wholesale cannabis (2020 – 272 kilograms and 782 kilograms, respectively). The increase in wholesale cannabis sales was primarily the result of the commercialization of Thunderchild Cultivation Facility, improved yields resulting in more available product for sale, an expanded distribution footprint, and a rotation into new and higher THC cannabis cultivars.

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
	%	%	%	%
Excise taxes as a percentage of wholesale revenue	25.9	15.7	25.1	17.3

Excise taxes as a percentage of wholesale revenue increased over the comparative periods due to the Company selling vape and concentrate products, which have a higher excise tax rate relative to dried flower.

Cost of Goods Sold

During the three and nine months ended September 30, 2021, the Company incurred cost of goods sold of $9.3 million and $24.3 million, respectively (2020 - $4.7 million and $11.3 million, respectively). The increase in cost of goods sold over the comparative periods is primarily due to growth in net revenue, higher costs on derivative products, and $0.9 million inventory write-off in Q3 2021 and $415 in Q2 2021. This was partially offset by reductions in cost per gram of wholesale cannabis.

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, 2021, the Company recognized unrealized gains of $7.2 million and $15.5 million, respectively (2020 - $1.4 and $2.5 million, respectively). The increase over the comparative periods is primarily driven by an increase in yields and the planting of new crops at the Thunderchild Cultivation Facility. Improvement in yields was achieved through a lighting system upgrade, introduction of additional technology to optimize water and nutrient delivery, and broadening vegetation capacity to enable better selection of plants to move into flowering cycle.

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

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.

During the three and nine months ended September 30, 2021, the Company recognized a change in the fair value of inventory sold of $6.1 million and $9.7 million, respectively (2020 - $1.2 and $2.5 million, respectively) due to increased cannabis sales volumes during the current period.

Selling, General and Administration

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

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Salaries and wages	2,051	1,166	5,499	3,874
Office and general	1,150	1,112	4,163	3,138
Consulting fees	169	45	616	342
Professional fees	120	123	263	247
Travel and accommodation	180	95	372	241
Marketing and branding	245	131	465	362
Third party selling costs	-	1	-	195
Total selling, general and administration	**3,915**	**2,673**	**11,378**	**8,399**

SG&A expenses increased over the comparative periods primarily due to increases in headcount and general expenses related to staffing for The Plant and the Thunderchild Cultivation Facility in support of increasing production.

Share-Based Compensation

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Equity-settled awards:				
Stock options	240	379	1,054	1,850
Restricted share units	-	82	(26)	526
Warrants	78	20	89	128
Other (i)	-	-	-	(243)
Cash-settled awards:				
Deferred share units	(241)	-	426	-
Restricted share units	40	-	77	-
Total share-based compensation	**117**	**481**	**1,620**	**2,261**

(i) Recovery of previously expensed share-based compensation, due to forfeitures following an agreement termination

Share-based compensation decreased for the three and nine months ended September 30, 2021, primarily due to remeasurements of the cash-settled share-based instruments and forfeitures of stock options.

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

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

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Net income (loss)	(913)	(1,362)	1,089	(7,524)
Unrealized gain on changes in fair value of biological assets	(7,184)	(1,374)	(15,539)	(2,485)
Change in fair value of biological assets realized through inventory sold	6,149	1,206	9,692	2,501
Depreciation and amortization	954	624	2,770	1,689
Share-based compensation	117	481	1,620	2,261
Other income	(14)	(5)	(34)	(32)
Finance costs	1,038	646	3,044	2,365
Foreign exchange loss	52	9	133	3
Loss on disposal of property, plant and equipment	-	-	34	-
Non-cash cost of goods sold [1]	305	598	736	881
Severance related costs [2]	117	-	344	679
Other non-cash costs [3]	1,163	37	2,077	87
Adjusted EBITDA [4]	**1,784**	**860**	**5,966**	**425**

[1] Relates to depreciation and amortization included in cost of goods sold, write downs of inventory to net realizable value, and abnormal waste.
[2] Severance payments are infrequent in nature and are an add-back in the Company's Adjusted EBITDA calculation for covenant reporting purposes. These amounts are included in SG&A expenses in the Company's condensed consolidated interim statement of comprehensive loss.
[3] 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 condensed consolidated interim statements of income (loss) and comprehensive income (loss).
[4] Adjusted EBITDA is a non-GAAP performance measure. Refer to "*Cautionary Statement Regarding Certain Non-GAAP Performance Measures*" for further details.

The increase in Adjusted EBITDA for the three and nine months ended September 30, 2021, over the comparative periods is primarily due to increased demand in dried cannabis and extract products supported by growing capacity in the Creston and Thunderchild Cultivation Facilities and capital improvements at The Plant.

Statement of Financial Position

Inventory

As at September 30, 2021, the Company had $25.4 million (December 31, 2020 - $10.3 million) in inventory related to cannabis and cannabis accessories. The increase over the comparative period is primarily due to commercialization and sale of vape and concentrate 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 at September 30, 2021, the Company had other current assets of $3.3 million (December 31, 2020 - $854). This balance is comprised of refundable deposits pertaining to the retail locations. The remaining portion of the deposits balance is primarily related to a genetics purchase agreement that Decibel entered into on January 1, 2021. The agreement 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 condensed consolidated interim 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.

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

Capital Additions

For the three and nine months ended September 30, 2021, the Company incurred the following:

- $291 and $291, respectively (2020 - $700 and $2.1 million, respectively) in construction costs. These additions relate to capital improvements at The Plant.
- $nil and $34, respectively (2020 - $58 and $387, respectively) in building additions. These additions relate to capital improvements at The Plant.
- $694 and $1,239, respectively (2020 - $101 and $378, respectively) in production equipment. These additions related to the replacement of grow lights at the Creston Facility and humidifiers and irrigation equipment at the Thunderchild Cultivation Facility. Additions at The Plant include various equipment utilized to expand capacity and streamline production.
- $6 and $46, respectively (2020 - $21 and $350, respectively) in leasehold improvements. These additions relate to a variety of capital improvements for the retail locations.
- $60 and $161, respectively (2020 - $44 and $258, respectively) in other capital additions related to furniture, fixtures, and computer hardware and software for corporate purposes.

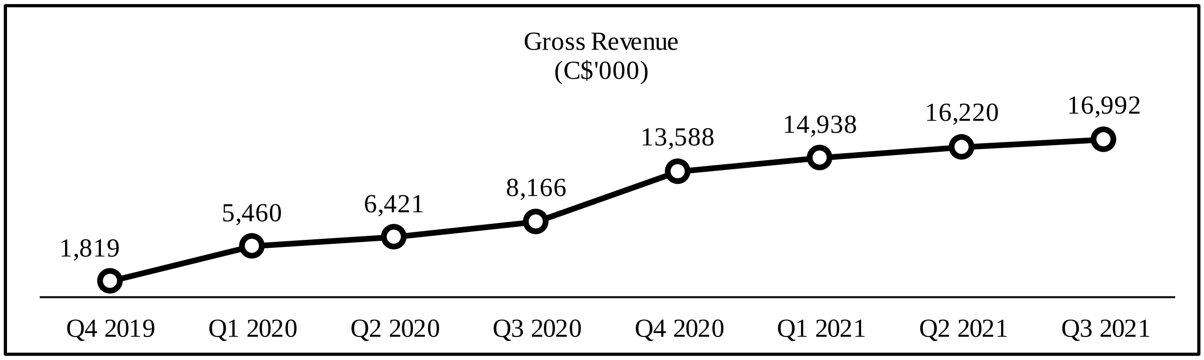
Right-of-Use Assets and Lease Liabilities

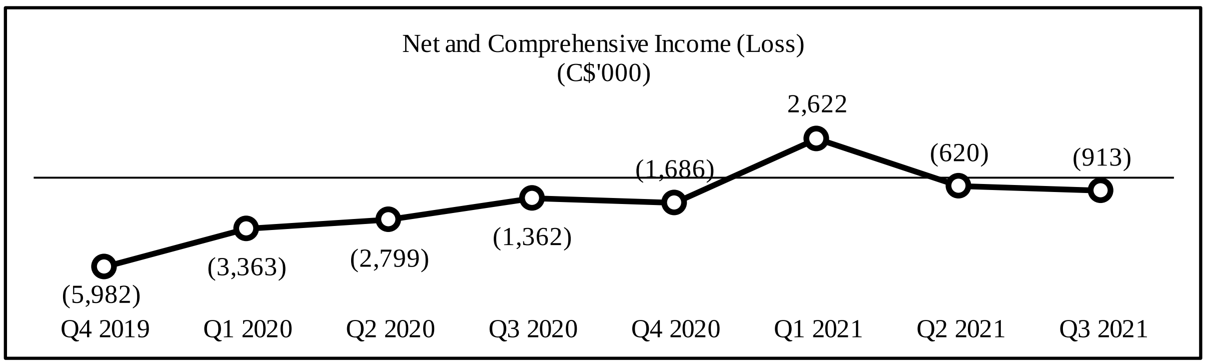
As at September 30, 2021, right-of-use assets totalled $3.5 million (December 31, 2020 - $3.2 million) and lease liabilities totalled $4.6 million (December 31, 2020 - $4.4 million). The increase is primarily due to the addition of an automated pre-roll machine at The Plant, partially offset by the termination of retail leases and subleasing the former corporate office space.

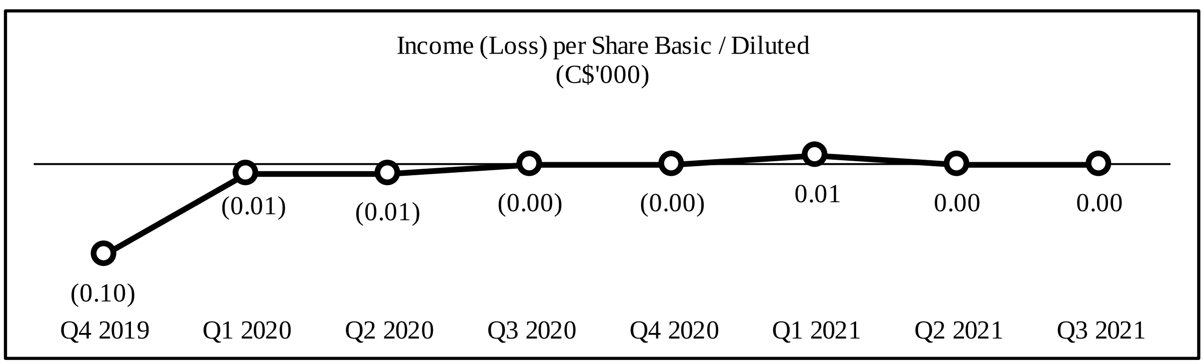
Summary of Quarterly Results

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

Quarter ended	Gross Revenue	Net and comprehensive income (loss)	Income (loss) per share basic/diluted
December 31, 2019	1,819	(5,982)	(0.10) / (0.10)
March 31, 2020	5,460	(3,363)	(0.01) / (0.01)
June 30, 2020	6,421	(2,799)	(0.01) / (0.01)
September 30, 2020	8,166	(1,362)	(0.00) / (0.00)
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







Gross revenue over the last eight quarters has shown growth attributable to increased volumes of dried cannabis sold, sale of vape and concentrate products beginning in late Q3 2020, and contributions from retail sales.

Net income (loss) over the last eight quarters fluctuated primarily resulting from the plan of arrangement that constituted a reverse takeover of Westleaf by We Grow BC Ltd. that was completed in the fourth quarter of 2019. The past four quarters have fluctuated due to the recognition of stock-based compensation expenses, unrealized fair value gains from biological assets, net revenue growth, inventory write-offs, and cost cutting measures employed by management.

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

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*".

As at,	September 30, 2021	December 31, 2020
Equipment loan [1]	-	68
Term loans [2]	36,647	28,065
Convertible debentures [3]	11,354	10,663
Total debt	**48,001**	**38,796**
Share capital	53,416	43,114
Total capitalization	**101,417**	**81,910**

[1] Equipment loan was payable in eighteen monthly installments commencing October 1, 2019.
[2] Term loans include the Company'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, for more information, refer to Note 7 of the Consolidated Interim Financial Statements.
[3] Convertible debentures consist of unsecured convertible debentures with a face value of $12.0 million (the "Convertible Debentures"). The Convertible Debentures will mature and be repayable May 10, 2022, to the extent this liability is not converted and exercised into Common Shares. Due to their unsecured and subordinated position to Connect First, they are excluded from all ratio calculations (Refer to Note 7 of the Consolidated Interim Financial Statements for details).

The increase in Decibel's total capitalization as at September 30, 2021, over the comparative period is primarily related to the debt refinancing the Company completed on May 13, 2021 and bought deal financing completed on September 16, 2021. Refer to "*Going Concern*" and *"Recent Development – Financing*"

As at September 30, 2021, the Company had a working capital (see "*Cautionary Statement Regarding Certain Non-GAAP Performance Measures"*) surplus of $9.5 million (December 31, 2020 - $5.6 million surplus), a total consolidated cash position of $11.3 million (December 31, 2020 - $3.8 million). This cash is available for use towards working capital requirements and servicing of debt.

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

The Company's working capital details are as follows:

As at,	September 30, 2021	December 31, 2020
Cash	11,313	3,820
Accounts receivable	9,586	3,829
Other current assets	3,255	854
Biological assets	2,025	1,076
Inventory	25,442	10,285
Accounts payable and accrued liabilities	(18,130)	(12,111)
Current portion of lease liabilities	(776)	(491)
Current portion of equipment loan payable	-	(68)
Current portion of long-term debt	(11,896)	(1,634)
Convertible debentures	(11,354)	-
Total working capital [1]	**9,465**	**5,560**

[1] Working capital is a non-GAAP performance measure. Refer to "*Cautionary Statement Regarding Certain Non-GAAP Performance Measures"* for further details.

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 annually, on all Connect First and third-party loans, to fall below 1.40:1.00.

The debt service coverage ratio will be tested for the first time for the full year ending December 31, 2021.

(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 condensed consolidated interim statements of financial position, calculated annually to be greater than:

- 0.75:1.00 for the fiscal year ended December 31, 2021; and
- 0.50:1.00 for all fiscal years ending thereafter.

(c) Current ratio

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

At September 30, 2021, the current ratio was 1.68:1.00.

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

Cash Flows

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Cashflow (used in) provided by operating activities	(5,906)	(1,531)	(12,027)	(5,862)
Cash (used in) provided by investing activities	(1,072)	(282)	(2,015)	(5,555)
Cash (used in) provided by financing activities	14,628	(992)	21,535	837
Increase (decrease) in cash	**7,650**	**(2,805)**	**7,493**	**(10,580)**
Cash, beginning of period	3,663	3,879	3,820	11,654
Cash, end of period	**11,313**	**1,074**	**11,313**	**1,074**

For the three months ended September 30, 2021, cash used in operating activities was $5.9 million (2020 – $1.5 million). For the nine months ended September 30, 2021, cash used in operating activities was $12.0 million (2020 - $5.9 million). The increase in cash used in operating activities over the comparative periods was mainly due to increased working capital investments, primarily related to the Thunderchild Cultivation Facility and new product launches for the fourth quarter of 2021.

For the three months ended September 30, 2021, cash used in investing activities was $1.1 (2020 - $282). For the nine months ended September 30, 2021, cash used in investing activities was $2.0 (2020 - $5.6 million). Higher use of cash in prior periods was primarily due to capital spending related to the construction of the Thunderchild Cultivation Facility. Refer to "*Statement of Financial Position – Capital Additions*".

For the three months ended September 30, 2021, cash generated by financing activities was $14.6 million (2020 – used $992). For the nine months ended September 30, 2021, cash generated by financing activities was $21.5 million (2020 - $837). Increase in financing activities is primarily due to debt refinancing completed on May 13, 2021 and bought deal financing completed on September 16, 2021, partially offset by repayments of long-term debt and lease liabilities. Refer to "*Liquidity and Capital Resources*".

Contractual Obligations

As at September 30, 2021, the Company had the following contractual obligations:

	Total	<1 Year	<2 Years	<3 Years	<4 Years	<5 Years	Thereafter
Accounts payable and accrued liabilities	18,130	18,130	-	-	-	-	-
Lease liabilities	4,255	1,093	947	535	337	133	1,210
Loans and borrowings [1]	56,033	26,470	3,912	3,913	3,912	17,826	-
Other long term liabilities	114	-	57	57	-	-	-
Total	**78,532**	**45,693**	**4,916**	**4,505**	**4,249**	**17,959**	**1,210**

[1] Includes expected interest payments until maturity date.

Commitments

Equipment Purchases

The Company is committed to aggregate payments of $609 pertaining to equipment purchases for the production facilities which are 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 at the date of this MD&A, the Company had 404 million Common Shares outstanding, 41.8 million Common Share purchase warrants outstanding, 1.7 million RSUs outstanding, and 40.3 million stock options outstanding.

Capital

As at September 30, 2021 and September 30, 2020, 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 at September 30, 2021, in the Consolidated Interim Financial Statements nor as at the date of this MD&A that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

Critical Accounting Estimates

Critical judgements, estimates and assumptions that have the most significant effect on the amounts recognized on Decibel's financial statements remain unchanged from that discussed in the annual MD&A for the year ended December 31, 2020, as filed on SEDAR at www.sedar.com.

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, term loan debt, and convertible debentures. Management estimates that the fair value of its cash, accounts receivable, and accounts payable and accrued liabilities approximates their carrying values as at September 30, 2021, due to the relatively short maturity periods of these instruments. The fair value of the convertible debentures as at September 30, 2021, was $9.6 million.

Cautionary Statement Regarding Certain Non-GAAP Performance Measures

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

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

- Working Capital: Working Capital is an indicative measure of the Company's ability to service its short-term financial obligations with short-term assets. Management believes this measure provides useful information about the Company's current short-term liquidity. Refer to "*Liquidity and Capital Resources*" for a detailed calculation of this measure. The numbers that are input into this calculation can be found in the statement of financial position in the Company's Consolidated Interim 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. Refer to "*Forward-Looking Information"*. 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 future development, costs and operation of The Plant, the Thunderchild Cultivation Facility, and the Creston Facility;
- the anticipated timing of the Thunderchild Cultivation Facility achieving run-rate production available for sale;
- 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 Company's expectations with respect to its ability to comply with its financial covenants;

- 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; and
- the Company's impact assessment of COVID-19.

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

Industry Trends and Risks

Decibel's industry trends and risks remain unchanged from that discussed in the annual MD&A for the year ended December 31, 2020, as filed on SEDAR at www.sedar.com.