

# **DECIBEL CANNABIS COMPANY INC.**

**Management's Discussion and Analysis**

**December 31, 2024**

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 April 21, 2025.

This MD&A should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended December 31, 2024, and 2023, inclusive of the accompanying financial statements notes (the "Consolidated Financial Statements"), all of which were prepared in accordance with IFRS Accounting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). 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.

Certain financial terms and measures contained in this MD&A are "specified financial measures" (as such term is defined in National Instrument 52-112 - Non-GAAP and Other Financial Measures Disclosure ("NI 52-112")). The specified financial measures referred to in this MD&A are comprised of "non-GAAP financial measures" and "capital management measures" (as such terms are defined in NI 52-112). These measures are defined, qualified, and where required, reconciled with the nearest GAAP measure in the "Non-GAAP and Other Financial Measures" section of this MD&A.

The non-GAAP financial measures used herein do not have a standardized meaning prescribed by GAAP. Accordingly, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. Investors are cautioned that the non-GAAP financial measures should not be considered in isolation nor as an alternative to net income or other financial information determined in accordance with GAAP, as an indication of the Company's performance.

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 Financial Statements can be found on SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com).

## **Company Overview**

Decibel is a vertically integrated cannabis company with two licensed cultivation facilities and a licensed manufacturing facility. Decibel additionally acquired a third licensed cultivation facility upon its acquisition of AgMedica (as defined herein), completed on October 28, 2024. 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".

### Description of the Business and Corporate Strategy

Decibel's strategy is to develop Canadian and international sales channels and cannabis brands, focused on craft flower and ready to consume cannabis products including vapes, cannabis infused pre-rolls, pre-rolls, edibles, and other value add products. Two components of this strategy, among others, are:

- i) cannabis cultivation, processing, and sale of cannabis flower products both domestically and internationally; and
- ii) extraction, processing, and manufacturing of a variety of cannabis derivative products sold both domestically and internationally.

## *Cannabis Cultivation*

### *Creston Facility*

The Creston indoor cultivation facility consists 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 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 seeds in both recreational and medical markets. On November 14, 2022, the Creston Facility received its Good Agricultural and Collection Practices (GACP) certification.

### *Thunderchild Facility*

The Thunderchild indoor cultivation facility consists of 80,000 square feet of indoor cultivation, packaging and processing space, located in Battleford, Saskatchewan (the “Thunderchild Facility”). On January 29, 2021, Decibel’s wholly owned subsidiary, dB Thunderchild Cultivation LP, which owns and operates the Thunderchild Facility, received a cultivation license from Health Canada to grow, harvest, trim, store cannabis, and sell for medical purposes. On June 29, 2022, the Thunderchild Facility received its CUMCS Equivalency IMC-G.A.P. certification to support the Company’s international expansion.

### *AgMedica Facility*

The AgMedica indoor cultivation facility consists of 115,000 square feet of indoor cultivation, packaging, and processing space, located in Chatham, Ontario (the “AgMedica Cultivation Facility”). On October 28, 2024, Decibel acquired the AgMedica Cultivation Facility to accelerate Decibel’s international strategy. The AgMedica Cultivation Facility has a Health Canada license to grow, harvest, process, store, and sell cannabis in both recreational and medical markets, CUMCS Equivalency IMC-G.A.P. certification, and an EU GMP.

Decibel acquired AgMedica pursuant to an assignment agreement entered into with Callisto Capital Corp. (“Callisto”) in exchange for a \$6.3 million unsecured convertible debenture. The convertible debenture converted into 114,545,455 Common Shares on December 3, 2024, following receipt of final approval from the TSX-V for the AgMedica acquisition. In connection with the acquisition of AgMedica, Decibel entered into a five year industrial lease for the AgMedica Cultivation Facility.

## *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 approximately 24,000 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. 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. The Phase 1 area includes newly automated processing and packaging lines for infused pre-roll products, packaging automation, and labeling automation, 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.

### *Sales Channels and Brands*

The Company sells through two channels: (1) domestic branded cannabis goods sold to provincial wholesalers for distribution with the end customers being cannabis consumers; and (2) exports to international partners of branded cannabis goods, services related to exporting cannabis goods, and bulk cannabis exports.

#### *Domestic Sales Channel*

Decibel has entered into supply agreements with each of the Alberta Gaming, Liquor and Cannabis Commission, 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 two cannabis derivative product brands, General Admission and Vox.

Decibel has three dried cannabis brands, two positioned as premium brands, Qwest, and Qwest Reserve, and one positioned as a core-segment brand, General Admission.

#### *International Sales Channel*

Decibel has entered into supply agreements and exported to various customers in seven countries including Australia, Germany, United Kingdom, Israel, Spain, Denmark, and Norway. The Company exports dried flower, vapes cartridges, cannabis oils, and other products in both packaged and bulk formats subject to each country's regulations.

Decibel currently has two brands with an international presence, Qwest and General Admission.

In January 2024, the Israeli government issued a notification naming Canadian cannabis companies, including Decibel, indicating the launch of an "anti-dumping" investigation in respect of Canadian cannabis exports to Israel (the "Anti-Dumping Investigation"). The Company was named in the investigation and is participating in the investigation, which is voluntary. A finding of "dumping" under international trade law could result in the imposition of a dumping duty on Israeli importers of Canadian cannabis exports by companies whose pricing practices are determined to violate anti-dumping laws. See "Risk Factors".

#### *Discontinued Retail Operations and Location*

During the period ending December 31, 2024, Decibel owned and operated, through a wholly owned subsidiary, six Prairie Records cannabis retail stores in Saskatchewan and Alberta ("**Prairie Records**"). There were three Prairie Records stores located in Saskatchewan, with two stores located in Saskatoon and one in Warman. Prairie Records also operated an e-commerce cannabis platform servicing the Province of Saskatchewan. There were three Prairie Records stores in Alberta, with two stores located in Calgary and one located in Edmonton.

On April 10, 2024, the Company completed its sale of the Company's Prairie Records Retail assets to Fire and Flower Inc., a wholly owned subsidiary of 2759054 Ontario Inc. d.b.a. FIKA (the "Prairie Records Retail Sale").

#### *Subsequent Events*

On January 21, 2025, the Company granted an aggregate of 25,760,880 stock options (each, an "Option") to certain officers and employees of the Company in accordance with the Company's stock option plan.

Each Option is exercisable for one Common Share at a price of either \$0.13 or \$0.075 per Share, depending on the grant. This is a normal-course grant that comprises part of the long-term compensation and employee retention incentives program provided by the Company. One tranche of the Options vested as of the grant date hereof, while the remaining tranches will vest in three equal nine (9) month installments commencing on October 21, 2025, with all of the Options expiring on January 21, 2028.

## Annual and Quarterly Financial Information

	Three months ended December 31		Year ended December 31	
	2024	2023	2024	2023
<i>(thousands of Canadian dollars, except where noted)</i>				
Gross Canadian recreational sales <sup>1</sup>	\$33,820	\$42,177	\$136,353	\$173,990
Net Canadian recreational sales <sup>1</sup>	\$21,869	\$23,783	\$88,392	\$102,532
International sales <sup>1</sup>	\$3,443	\$1,427	\$4,145	\$3,692
<b>Total</b>				
Gross revenue	\$37,263	\$43,604	\$140,498	\$177,682
Net revenue	\$25,312	\$25,210	\$92,537	\$106,224
Gross profit before fair value adjustments	\$12,323	\$11,598	\$44,355	\$48,538
Gross margin before fair value adjustments	49%	46%	48%	46%
Adjusted EBITDA <sup>2</sup>	\$5,201	\$5,002	\$17,936	\$25,125
Net income (loss) and comprehensive income (loss)	\$13,260	(\$1,249)	\$9,463	(\$1,770)
Adjusted net income (loss) <sup>2</sup>	\$1,014	(\$190)	\$200	\$8,002
Cash flow from continuing operations	\$2,390	\$2,294	\$2,319	\$8,188
Free cash flow <sup>2</sup>	\$2,221	\$1,888	\$1,396	\$6,052
<b>Per Share Metrics</b>				
Income (loss) per share	\$0.03	-	\$0.03	(\$0.01)
Adjusted EPS <sup>3</sup>	-	-	-	\$0.02

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

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

<sup>3</sup> Non-GAAP ratio. Refer to “Cautionary Statement Regarding Certain Non-GAAP Measures” for further details.

- Net revenue for the three and twelve months ended December 31, 2024, was \$25.3 million and \$92.5 million, respectively, an increase of 0.4% and a decrease of 13% over the comparative periods. Net revenue growth in the quarter was primarily a result of a partial quarter of contributions from AgMedica, acquired on October 28, 2024. Total sales contributed from the AgMedica Facility were \$3.4 million of which \$2.1 million were international sales and the remainder was sold domestically. The decrease in net Canadian recreational sales is primarily attributable to increased competition in vapes and infused pre-roll products.
- Gross profit before fair value adjustments for the three and twelve months ended December 31, 2024, was \$12.3 million and \$44.4 million, respectively, an increase of 6% and a decrease of 9% over the comparative periods. Gross margin before fair value adjustments was 49% in the fourth quarter, compared to 46% over the comparative period.
- Adjusted EBITDA (as defined herein) for the three and twelve months ended December 31, 2024, was \$5.2 million and \$17.9 million, respectively, an increase of 4% and a decrease of 29% over the comparative periods. The increase in Adjusted EBITDA for the quarter was primarily a result of improved gross margin and partial contributions from the AgMedica facility acquisition. The decrease for the full year was due to declines in net Canadian recreational sales. Adjusted EBITDA is a non-GAAP financial measure. Refer to “Cautionary Statement Regarding Certain Non-GAAP Measures” for further details.
- Net Canadian recreational sales for the three and twelve months ended December 31, 2024, were \$21.9 million and \$88.4 million, respectively, a decrease of 8% and 14% over the comparative periods. The decrease in net Canadian recreational sales is primarily attributable to increased competition in vapes and infused pre-roll products. Subsequent to the quarter, the Company launched additional products and undertook a marketing campaign to combat declines in these segments and grow in other categories, including: a proudly Canadian campaign, reinvesting in growing the Qwest brand presence, launching ultra high potency vapes and infused pre-rolls, new large format all-in-one disposable vapes, and milled flowers.

- International sales for the three and twelve months ended December 31, 2024, were \$3.4 million and \$4.1 million, respectively, an increase of 141% and 12% over the comparative periods. The increase in international sales was primarily driven by a partial quarter of contributions from AgMedica, acquired on October 28, 2024. Total international sales contributed from the AgMedica Facility were \$2.1 million. The Company has pursued additional contracts related to cannabis exports to international markets and anticipates contributions from these activities in the second quarter of 2025.
- Adjusted Net income (loss) (as defined herein) for the three and twelve months ended December 31, 2024, was \$1.0 million and \$0.2 million, respectively, an increase of \$1.2 million and a decrease of \$7.8 million over the comparative periods. The increase in Adjusted Net Income was driven improvements in gross margin and decreases in SG&A partially offset by higher depreciation and amortization as well as other losses. The decrease for the full year was a result of higher depreciation and amortization, share-based compensation and other losses. Adjusted Earnings per Share for the three and twelve months ended December 31, 2024, was \$nil and \$nil, respectively, flat and a decrease of \$0.02 over the comparative periods. 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 \$2.4 million and \$2.3 million for the three and twelve months ended December 31, 2024, an increase of 4% and a decrease of 72% over the comparative periods. The increase in cash flow from operations is primarily attributable to improvements in gross margin. The decline for the full year was driven by working capital changes.

## Operations

	Three months ended December 31		Year ended December 31	
	2024	2023	2024	2023
<i>(thousands of Canadian dollars)</i>				
Gross revenue	37,263	43,604	140,498	177,682
Excise taxes	(11,951)	(18,394)	(47,961)	(71,458)
<b>Net revenue</b>	<b>25,312</b>	<b>25,210</b>	<b>92,537</b>	<b>106,224</b>
Cost of goods sold	(12,989)	(13,612)	(48,182)	(57,686)
<b>Gross profit before fair value adjustments</b>	<b>12,323</b>	<b>11,598</b>	<b>44,355</b>	<b>48,538</b>
Unrealized gain on changes in fair value of biological assets	1,685	3,442	10,792	12,549
Change in fair value of biological assets realized through inventory sold	(5,480)	(4,501)	(17,570)	(22,321)
<b>Gross profit</b>	<b>8,528</b>	<b>10,539</b>	<b>37,577</b>	<b>38,766</b>
Selling, general and administration	(8,249)	(10,126)	(31,419)	(33,939)
Depreciation and amortization	(1,396)	(428)	(5,036)	(2,477)
Share-based (recovery) compensation	246	(301)	877	(1,365)
<b>Income from operations</b>	<b>(871)</b>	<b>(316)</b>	<b>1,999</b>	<b>985</b>
Finance costs	(648)	(714)	(2,902)	(2,781)
Foreign exchange loss	(50)	(194)	(239)	(477)
Loss on disposal of property, plant and equipment	-	-	-	-
Gain on acquisition of AgMedica Bioscience Inc.	16,041	-	16,041	-
Gain on disposal of Prairie Records Retail assets	-	-	-	-
Transaction costs	-	-	-	-
Other income (loss)	(1,171)	118	(1,305)	360
Impairment loss	-	-	-	-
<b>Income (loss) before income taxes</b>	<b>13,301</b>	<b>(1,106)</b>	<b>13,594</b>	<b>(1,913)</b>
Current taxes	-	-	-	-
Deferred taxes	-	-	-	-
<b>Net income (loss) and comprehensive income (loss) from</b>	<b>13,301</b>	<b>(1,106)</b>	<b>13,594</b>	<b>(1,913)</b>
Net income (loss) and comprehensive income (loss) from discontinued operations	(41)	(143)	(4,131)	143
<b>Net income (loss) and comprehensive income (loss)</b>	<b>13,260</b>	<b>(1,249)</b>	<b>9,463</b>	<b>(1,770)</b>

## Net Revenue

	Three months ended December 31		Year ended December 31	
	2024	2023	2024	2023
<i>(thousands of Canadian dollars)</i>				
Gross Canadian recreational sales <sup>1</sup>	33,820	42,177	136,353	173,990
Excise taxes	(11,951)	(18,394)	(47,961)	(71,458)
<b>Net Canadian recreational sales <sup>1</sup></b>	<b>21,869</b>	<b>23,783</b>	<b>88,392</b>	<b>102,532</b>
International sales <sup>1</sup>	3,443	1,427	4,145	3,692
<b>Net revenue</b>	<b>25,312</b>	<b>25,210</b>	<b>92,537</b>	<b>106,224</b>

Net revenue for the three and twelve months ended December 31, 2024, was \$25.3 million and \$92.5 million, respectively, an increase of 0.4% and a decrease of 13% over the comparative periods. Net revenue growth in the quarter was primarily a result of a partial quarter of contributions from the AgMedica Facility acquired on October 28, 2024. Total international sales contributed from the AgMedica Facility were \$3.4 million of which \$2.1 million were international sales and the remainder was sold domestically. The Company has pursued additional contracts

related to cannabis exports to international markets and anticipates contributions from these activities in the second quarter of 2025. The decrease in net Canadian recreational sales is primarily attributable to increased competition in vapes and infused pre-roll products. Subsequent to the quarter, the Company launched additional products and undertook a marketing campaign to combat declines in these segments and grow in other categories, including: a proudly Canadian campaign, reinvesting in growing the Qwest brand presence, launching ultra high potency vapes and infused pre-rolls, new large format all-in-one disposable vapes, and milled flowers.

#### *Excise Taxes*

	Three months ended December 31		Year ended December 31	
	2024	2023	2024	2023
<i>(thousands of Canadian dollars, except where noted)</i>				
Gross Canadian recreational sales <sup>1</sup>	33,820	42,177	136,353	173,990
Excise taxes	11,951	18,394	47,961	71,458
<b>Excise taxes as a percentage of gross Canadian</b>	<b>35.3%</b>	<b>43.6%</b>	<b>35.2%</b>	<b>41.1%</b>

Excise taxes as a percentage of wholesale revenue decreased over the comparative periods due to increased sales of lower excise tax cannabis products. Historically, Decibel's Canadian recreational sales have been a higher proportion of derivative cannabis products relative to flower products. Derivative cannabis products are taxed based on milligrams of tetrahydrocannabinol whereas flower products are taxed on a flat rate, resulting in derivative cannabis products having a disproportionate amount of excise tax as a percentage of gross revenue relative to flower products.

#### *Gross Profit before Fair Value Adjustments*

	Three months ended December 31		Year ended December 31	
	2024	2023	2024	2023
<i>(thousands of Canadian dollars, except where noted)</i>				
Net revenue	25,312	25,210	92,537	106,224
Cost of goods sold	(12,989)	(13,612)	(48,182)	(57,686)
<b>Gross profit before fair value adjustments</b>	<b>12,323</b>	<b>11,598</b>	<b>44,355</b>	<b>48,538</b>
Gross margin before fair value adjustments	49%	46%	48%	46%

During the three and twelve months ended December 31, 2024, the Company incurred cost of goods sold of \$13.0 million and \$48.1 million, resulting in a gross profit before fair value adjustments of \$12.3 million and \$44.4 million, respectively. Gross margin before fair value adjustments was 49% in the fourth quarter, compared to 46% over the comparative period.

#### *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 twelve months ended December 31, 2024, the Company recognized unrealized gains of \$1.7 million and \$10.8 million, respectively, a decrease of 51% and 14% over the comparative periods. The decrease over both periods is primarily attributable to price compression which reduces fair value per gram.

#### *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 twelve months ended December 31, 2024, the Company recognized a change in the fair value of inventory sold of



\$5.5 million and \$17.6 million, respectively. The increase in fair value change over both periods was driven by price compression which reduces fair value per gram.

### *Selling, General and Administration*

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

	Three months ended December 31		Year ended December 31	
	2024	2023	2024	2023
Salaries, wages, and contracting fees	3,710	3,436	13,600	14,007
Sales and marketing	1,649	3,229	8,047	6,958
Office and general	2,122	1,273	6,743	6,911
Professional fees	768	371	2,409	1,673
Bad debt expense	-	1,817	513	1,817
Severance	-	-	107	-
Litigation settlement	-	-	-	2,573
Total selling, general and administration	8,249	10,126	31,419	33,939

SG&A expenses decreased over the comparative periods primarily due to decreases in non-recurring costs including litigation settlements and bad debt expenses, as well as recurring expenses including salaries, wages, and contracting fees, and office and general expenses. This decrease was partially offset by increases in sales and marketing and professional fees.

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

	Three months ended December 31		Year ended December 31	
	2024	2023	2024	2023
<i>(thousands of Canadian dollars)</i>				
Net income (loss) and comprehensive income (loss)	13,260	(1,249)	9,463	(1,770)
Unrealized gain on changes in fair value of biological assets	(1,685)	(3,442)	(10,792)	(12,549)
Change in fair value of biological assets realized through inventory sold	5,480	4,501	17,570	22,321
Depreciation and amortization	1,396	428	5,036	2,477
Share-based (recovery) compensation	(246)	301	(877)	1,365
Other loss (income)	1,171	(118)	1,305	(360)
Finance costs	648	714	2,902	2,781
Foreign exchange loss	50	194	239	477
Non-cash cost of goods sold <sup>1</sup>	1,184	1,478	4,216	5,289
Other adjustments <sup>2</sup>	(16,057)	2,195	(11,126)	5,094
<b>Adjusted EBITDA<sup>3</sup></b>	<b>5,201</b>	<b>5,002</b>	<b>17,936</b>	<b>25,125</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 December 31, 2024, non-cash cost of goods sold was comprised of \$1.2 million of depreciation and amortization (December 31, 2023 - \$1.0 million) and \$nil million in inventory write-downs (December 31, 2023 - \$0.5 million). For the twelve months ended December 31, 2024, non-cash cost of goods sold was comprised of \$2.8 million of depreciation and amortization (December 31, 2023 - \$3.3 million), an inventory write-down of \$1.4 million (December 31, 2023 - \$2.0 million).

<sup>2</sup> Non-recurring income or expenses are added back in the Company's Adjusted EBITDA calculation for covenant reporting purposes. For the three months ended December 31, 2024, \$16 million in gains related to the acquisition of the AgMedica Facility were removed. For the twelve months ended December 31, 2024, severance payments were \$107 (December 31, 2023 - \$nil), losses from discontinued operations were \$4.1 million, litigation expenses were \$147 (December 31, 2023 - \$3.0 million) and bad debt expenses were \$513 (December 31, 2023 - \$1.8 million).

<sup>3</sup> Non-GAAP financial measure. Refer to “Cautionary Statement Regarding Certain Non-GAAP Measures” for further details.

The increase in Adjusted EBITDA for the quarter was primarily a result of improved gross margin and contributions from the AgMedica facility acquisition. The decrease for the full year was due to declines in net Canadian recreational

sales. Adjusted EBITDA is a non-GAAP financial measure. Refer to “*Cautionary Statement Regarding Certain Non-GAAP Measures*” for further details.

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

	Three months ended December 31		Year ended December 31	
	2024	2023	2024	2023
<i>(thousands of Canadian dollars)</i>				
Net income (loss) and comprehensive income (loss)	13,260	(1,249)	9,463	(1,770)
Unrealized gain on changes in fair value of biological assets	(1,685)	(3,442)	(10,792)	(12,549)
Change in fair value of biological assets realized through inventory sold	5,480	4,501	17,570	22,321
Gain on acquisition of AgMedica Bioscience Inc.	(16,041)	-	(16,041)	-
<b>Adjusted net income (loss)<sup>1</sup></b>	<b>1,014</b>	<b>(190)</b>	<b>200</b>	<b>8,002</b>
Weighted average number of shares outstanding	475,391,666	409,039,064	425,961,115	408,132,762
<b>Adjusted EPS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$0.02</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 months ended December 31, 2024, over the comparative period was driven by improvements in gross margin before fair value adjustments and gross profit growth. The decline 2024 Adjusted Net Income was driven by a decline in gross profit before fair value adjustments, increases in depreciation and amortization and share-based compensation expense.

### Free Cash Flow (“Free Cash Flow”)<sup>1</sup>

	Three months ended December 31		Year ended December 31	
	2024	2023	2024	2023
<i>(thousands of Canadian dollars)</i>				
Cash provided by continuing operating activities	2,390	2,294	2,319	8,188
Cash used in investing activities	1,941	(406)	1,187	(2,136)
Proceeds from the sale of Prairie Records Retail assets	(2,110)	-	(2,110)	-
<b>Free cash flow<sup>1</sup></b>	<b>2,221</b>	<b>1,888</b>	<b>1,396</b>	<b>6,052</b>

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

Free Cash Flow was \$2.2 million and \$1.4 million for the three and twelve months ended December 31, 2024, an increase of 18% and a decrease of 77% over the comparative periods. Free Cash Flow increased largely improved gross margin, and reductions in working capital investments, partially offset by decreases to accounts payable. The decline for the full year was driven by working capital changes.

## Statement of Financial Position

### *Inventory*

As at December 31, 2024, the Company had \$41.8 million (December 31, 2023 - \$48.7 million) in inventory related to cannabis cultivation products in varying stages and raw materials for the manufacturing of derivative cannabis products.

### *Other Current Assets*

As at December 31, 2024, the Company had other current assets of \$2.4 million (December 31, 2023 - \$3.7 million). This balance is comprised of deposits for inventory purchases or services.

### *Other Long-term Assets*

As at December 31, 2024, the Company had other long-term assets of \$5.7 million (December 31, 2023 - \$3.0 million). This balance is comprised of deposits for genetic purchases, insurance, and leases.

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.

### *Capital Additions*

For the three and twelve months ended December 31, 2024, the Company incurred the following:

- \$6.8 million and \$7.2 million (2023 – \$568 and \$824, respectively) in construction costs. These additions relate expenditures incurred for construction relating to the AgMedica Facility, in which a number of grow rooms are in varying stages nearing completion.
- \$nil and \$4 (2023 - \$42 and \$42, respectively) in building additions.
- \$5.5 million and \$5.6 (2023 - \$437 and \$437) in production equipment. These additions relate to the acquisition of the AgMedica Facility and associated production equipment.
- \$4.1 million and \$4.1 million (2023 - \$4 and \$5, respectively) in leasehold improvements. These additions relate to the acquisition of the AgMedica Facility and associated leasehold improvements to the leased space.
- \$123 and \$132 (2023 - \$12 and \$145, respectively) in other capital additions related to furniture, fixtures, and computer hardware and software for corporate purposes. These additions relate to the acquisition of the AgMedica Facility and other capital assets.

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

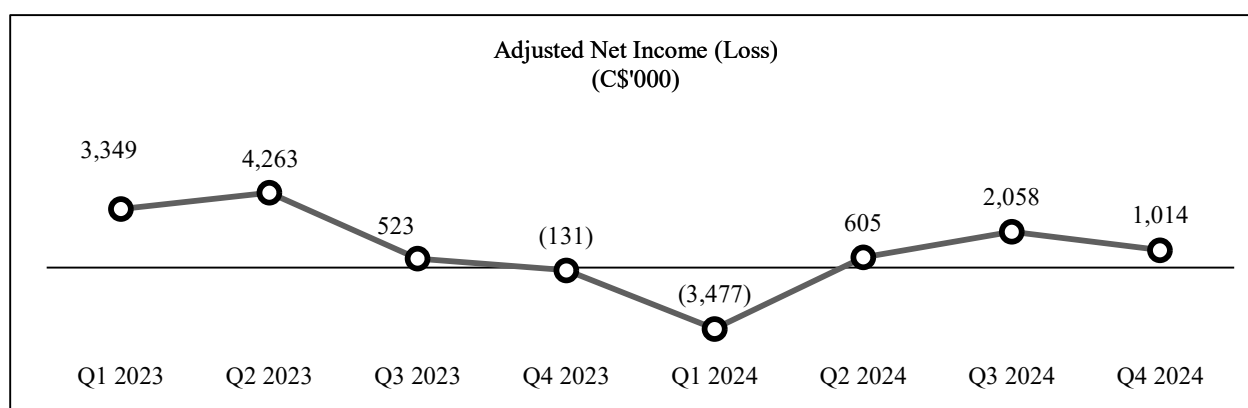
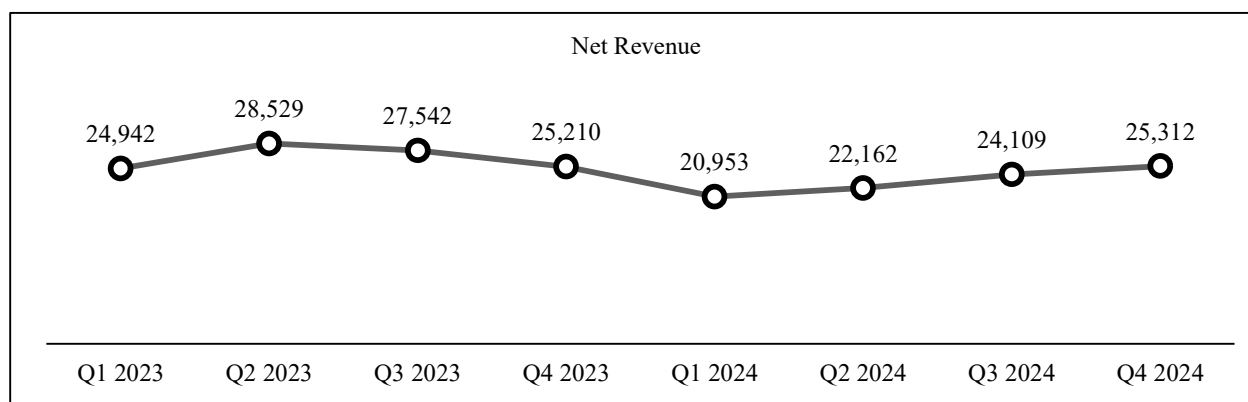
As at December 31, 2024, right-of-use assets totalled \$10.6 million (December 31, 2023 - \$8.1 million) and lease liabilities totalled \$10.1 million (December 31, 2023 - \$7.6 million). The increase in right-of-use assets and lease liabilities was by the acquisition of the AgMedica Facility which leases a portion of the building it occupies that includes AgMedica's operations.

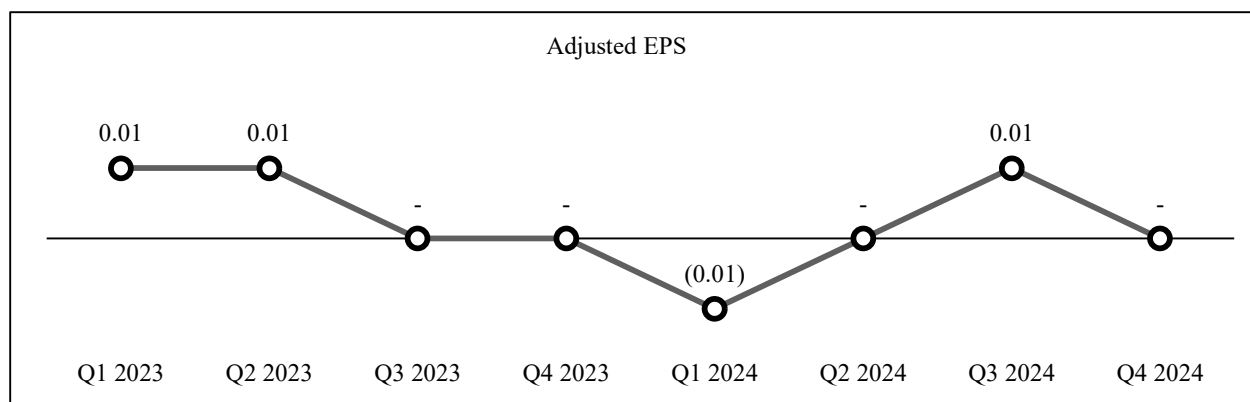
## Summary of Quarterly Results

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

	Net revenue	Adjusted Net Income (Loss) <sup>1</sup>	Adjusted EPS (loss) basic/diluted
<i>(thousands of Canadian dollars, except per share amounts)</i>			
March 31, 2023	24,942	3,349	0.01 / 0.01
June 30, 2023	28,529	4,263	0.01 / 0.01
September 30, 2023	27,542	523	- / -
December 31, 2023	25,210	(131)	- / -
March 31, 2024	20,953	(3,477)	(0.01) / (0.01)
June 30, 2024	22,162	605	- / -
September 30, 2024	24,109	2,058	0.01 / 0.01
December 31, 2024	25,312	1,014	- / -

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





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

### Liquidity and Capital Resources

To date, the Company has met its operational and capital requirements primarily through cash flow from operations, debt financing, and equity financings. The Company's objective when managing its liquidity and capital resources is to maintain sufficient cash flow and 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's working capital details are as follows:

As at,	December 31, 2024	December 31, 2023
<i>(thousands of Canadian dollars)</i>		
Cash	6,997	3,481
Accounts receivable	11,786	13,664
Other current assets	2,419	3,742
Biological assets	1,541	1,891
Inventory	41,795	48,705
Accounts payable and accrued liabilities	(38,195)	(45,023)
Current portion of lease liabilities	(1,878)	(1,481)
Current portion of long-term debt	(8,767)	(8,616)
Other current liabilities	(221)	(1,568)
<b>Total working capital<sup>1</sup></b>	<b>15,477</b>	<b>14,795</b>

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

As at December 31, 2024, the Company had a total working capital (see "Cautionary Statement Regarding Certain Non-GAAP Measures") surplus of \$15.5 million (2023 - \$14.8 million surplus) and a total consolidated cash position of \$7.0 million (December 31, 2023 - \$3.5 million). This cash is not subject to any restrictions.

As at,	December 31, 2024	December 31, 2023
<i>(thousands of Canadian dollars)</i>		
Term loans <sup>1</sup>	38,226	40,964
Share Capital	63,225	54,078
<b>Total capitalization</b>	<b>101,451</b>	<b>95,042</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 January 1, 2027. 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.

The decrease in Decibel's total capitalization as at December 31, 2024, over the comparative period is primarily related to the debt repayment during the period.

As at December 31, 2024, the Company had \$38 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 3.00:1.00 and other conditions as agreed upon with the Lender. As at December 31, 2024, Debt to EBITDA Ratio was 1.59x, and as a result the accordion is available to the Company and will continue to be subject to maintaining a Debt to EBITDA Ratio of less than or equal to 3.00:1.00 and other conditions as agreed upon with the lender.

The Company's credit facility with Connect First Credit Union Ltd. (the "Credit Facility") is subject to the following financial covenants:

(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 at December 31, 2024, the debt service coverage ratio was 2.58:1.00.

(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 at December 31, 2024, the debt to equity ratio was 0.79:1.00.

(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 at December 31, 2024, the current ratio was 1.32:1.00.

## Cash Flows

	Three months ended December 31		Year ended December 31	
	2024	2023	2024	2023
<i>(thousands of Canadian dollars)</i>				
Cash provided by continuing operating activities	2,390	2,294	2,319	8,188
Cash used in investing activities	1,941	(406)	1,187	(2,136)
Proceeds from the sale of Prairie Records Retail assets	(2,110)	-	(2,110)	-
<b>Free cash flow<sup>1</sup></b>	<b>2,221</b>	<b>1,888</b>	<b>1,396</b>	<b>6,052</b>

	Three months ended December 31		Year ended December 31	
	2024	2023	2024	2023
<i>(thousands of Canadian dollars)</i>				
Free cash flow <sup>1</sup>	2,221	1,888	1,396	6,052
Cash provided by (used in) discontinued operating activities	(2,176)	(478)	1,661	(1,613)
Proceeds from the sale of Prairie Records Retail assets	2,110	-	2,110	-
Cash used in financing activities	1,821	(1,320)	(1,651)	(3,924)
Increase in cash	3,976	90	3,516	515
Cash, beginning of period	3,021	3,391	3,481	2,966
<b>Cash, end of period</b>	<b>6,997</b>	<b>3,481</b>	<b>6,997</b>	<b>3,481</b>

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

For the three and twelve months ended December 31, 2024, cash provided by operating activities was \$2.4 million and \$2.3 million, an increase of 4% million and a decline of 72% over the comparative periods. The increase in cash flow from operations is primarily attributable to improvements to gross margin, partially offset by reductions in accounts payable. The decline for the full year was driven by working capital changes.

For the three and twelve months ended December 31, 2024, cash provided (used) by investing activities was \$1.9 million and negative \$0.4 million, respectively. The increase for the quarter was driven by a reclassification of cash proceeds from the sale of Prairie Records. Refer to “Statement of Financial Position – Capital Additions”.

For the three and twelve months ended December 31, 2024, cash provided (used) by financing activities was \$1.8 million and negative \$1.7 million. The change in cash used in financing activities during the period is primarily due to the equity financing related to the acquisition of the AgMedica Facility, partially offset by the repayment of long-term debt and lease liabilities. Refer to “Liquidity and Capital Resources”.

### Contractual Obligations

As at December 31, 2024, Decibel had contractual obligations as detailed below:

	Total	<1 Year	<2 Years	<3 Years	<4 Years	<5 Years	Thereafter
Accounts payable and accrued liabilities	38,195	38,195	-	-	-	-	-
Lease liabilities <sup>(i)</sup>	12,531	2,703	2,900	3,868	1,135	954	971
Loans and borrowings <sup>(ii)</sup>	46,583	10,465	4,434	4,434	4,434	4,434	18,382
<b>Total</b>	<b>97,309</b>	<b>51,363</b>	<b>7,334</b>	<b>8,302</b>	<b>5,569</b>	<b>5,388</b>	<b>19,353</b>

(i) Includes the interest portion of lease obligations.

(ii) Loans and borrowing balances are based on the credit facility in place at December 31, 2024. Included are the estimated interest and principal repayments, based on current amounts outstanding and current interest rates at December 31, 2024. Both are variable in nature.

### Outstanding Share Data

As of the date of this MD&A, the Company had 576.7 million Common Shares outstanding, 0.5 million restricted share units outstanding, and 27.2 million stock options outstanding.

### Capital

As at December 31, 2024, and December 31, 2023, 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 December 31, 2024, 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.

## Related Parties

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

### (a) Compensation of key management personnel

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

Year ended December 31,	2024	2023
Cash-based compensation	1,715	2,283
Share-based compensation	(403)	1,443
Total	1,312	3,726

## Changes in Accounting Policies

There were no changes in accounting policies during the year ended December 31, 2024.

## Critical accounting judgements, estimates and assumptions

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 significant estimates and assumptions in calculating the fair value less costs to sell and costs to complete of biological assets. The significant estimates and assumptions in determining the fair value less costs to sell and costs to complete of biological assets include the estimated average selling price per gram and average yield per plant. Further information on estimates used in determining the fair value of biological assets is contained in Note 6.

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.



## 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 at December 31, 2024, due to the relatively short maturity periods of these instruments.

## Cautionary Statement Regarding Certain Non-GAAP Measures

Certain financial terms and measures contained in this MD&A are "specified financial measures" (as such term is defined in NI 52-112). The specified financial measures referred to in this MD&A are comprised of "Non-GAAP financial measures" and "capital management measures" (as such terms are defined in NI 52-112). These measures are defined, qualified, and where required, reconciled with the nearest GAAP measure below.

## Non-GAAP Financial Measures

The Non-GAAP financial measures used herein do not have a standardized meaning prescribed by GAAP. Accordingly, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. Investors are cautioned that the non-GAAP financial measures should not be considered in isolation nor as an alternative to net income (loss) or other financial information determined in accordance with GAAP, as an indication of the Company's performance.

- **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 Consolidated Financial Statements.

	Three months ended December 31		Year ended December 31	
	2024	2023	2024	2023
<i>(thousands of Canadian dollars)</i>				
Net income (loss) and comprehensive income (loss)	13,260	(1,249)	9,463	(1,770)
Unrealized gain on changes in fair value of biological assets	(1,685)	(3,442)	(10,792)	(12,549)
Change in fair value of biological assets realized through inventory sold	5,480	4,501	17,570	22,321
Depreciation and amortization	1,396	428	5,036	2,477
Share-based (recovery) compensation	(246)	301	(877)	1,365
Other loss (income)	1,171	(118)	1,305	(360)
Finance costs	648	714	2,902	2,781
Foreign exchange loss	50	194	239	477
Non-cash cost of goods sold <sup>1</sup>	1,184	1,478	4,216	5,289
Other adjustments <sup>2</sup>	(16,057)	2,195	(11,126)	5,094
<b>Adjusted EBITDA<sup>3</sup></b>	<b>5,201</b>	<b>5,002</b>	<b>17,936</b>	<b>25,125</b>

- Adjusted Net Income and Adjusted Earnings per Share (“Adjusted EPS”): Adjusted Net Income and Adjusted EPS 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. These measures increase 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. These measures are not a recognized, defined, or standardized measure under IFRS. The Company calculates Adjusted Net 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. The Company calculates Adjusted EPS 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, dividend by the weighted average Common Shares outstanding. Refer to “*Adjusted Net Income*” for a detailed calculation of these measures. 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.

	Three months ended December 31		Year ended December 31	
	2024	2023	2024	2023
<i>(thousands of Canadian dollars)</i>				
Net income (loss) and comprehensive income (loss)	13,260	(1,249)	9,463	(1,770)
Unrealized gain on changes in fair value of biological assets	(1,685)	(3,442)	(10,792)	(12,549)
Change in fair value of biological assets realized through inventory sold	5,480	4,501	17,570	22,321
Gain on acquisition of AgMedica Bioscience Inc.	(16,041)	-	(16,041)	-
<b>Adjusted net income (loss)<sup>1</sup></b>	<b>1,014</b>	<b>(190)</b>	<b>200</b>	<b>8,002</b>
Weighted average number of shares outstanding	475,391,666	409,039,064	425,961,115	408,132,762
<b>Adjusted EPS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$0.02</b>

- Free Cash Flow (“Free Cash Flow”): Free Cash Flow is a measure of the Company’s financial performance. It is a useful measure of Decibel’s ability to generate value and grow the Company’s business. This measure is not a recognized, defined, or standardized measure under IFRS. The Company calculates Free Cash Flow as cash flow from operations less cash used in investing activities. Refer to “*Free Cash Flow*” for a detailed calculation of these measures. The numbers that are input into this calculation can be found in the statement of cash flows in the Company’s Consolidated Financial Statements.
- Total Capitalization (“Total Capitalization”): Total Capitalization is a measure of the Company’s total capital invested into the business. It is a useful measure of Decibel’s efficiency of capital investment when compared

to peers. This measure is not recognized, defined or a standardized measure under IFRS. The Company calculates Total Capitalization as total debt plus share capital. Refer to “Total Capitalization” for a detailed calculation of these measures. The numbers that are input into this calculation can be found in the statement of financial position in the Company’s Consolidated Financial Statements.

- **International Sales:** International Sales is a measure intended to provide a more accurate depiction of the revenue earned by the Company’s international operations.
- **Gross Canadian Recreational Sales:** Gross Canadian Recreational Sales is a supplementary measure intended to provide a more accurate depiction of gross revenue earned by the Company’s wholesale operations. Inventory transferred directly from the Company’s wholesale operations to the Company’s retail operations is added to Gross Canadian Recreational Sales as found in the Company’s Consolidated Financial Statements to arrive at Gross Canadian Recreational Sales. In the MD&A, wholesale inventory transferred to the retail stores and subsequently sold is eliminated from retail sales and attributed to Gross Canadian Recreational Sales to provide a more accurate depiction of business performance.
- **Net Canadian Recreational Sales:** Net Canadian Recreational Sales is a supplementary measure intended to provide a more accurate depiction of gross revenue earned by the Company’s wholesale operations. Inventory transferred directly from the Company’s wholesale operations to the Company’s retail operations is added to Net Canadian Recreational Sales as found in the Company’s Consolidated Financial Statements to arrive at Net Canadian Recreational Sales. Excise taxes associated with Gross Canadian Recreational Sales are subtracted from Gross Canadian Recreational Sales to arrive at Net Canadian Recreational Sales. In this MD&A, wholesale inventory transferred to the retail stores and subsequently sold is eliminated from retail sales and attributed to Net Canadian Recreational Sales to provide a more accurate depiction of business performance.

## Other Financial Measures

Capital management measures are defined as financial measures disclosed by an issuer that are intended to enable an individual to evaluate the entity’s objectives, policies and processes for managing the entity’s capital, are not a component of a line item or a line item on the primary financial statements, and which are disclosed in the notes to the financial statements. As at December 31, 2024, the Company’s capital management measures disclosed in the notes to the Consolidated Financial Statements include Working Capital.

- **Working Capital:** Working Capital is a capital management 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. See note 27 to the Consolidated Financial Statements.

As at,	December 31, 2024	December 31, 2023
<i>(thousands of Canadian dollars)</i>		
Cash	6,997	3,481
Accounts receivable	11,786	13,664
Other current assets	2,419	3,742
Biological assets	1,541	1,891
Inventory	41,795	48,705
Accounts payable and accrued liabilities	(38,195)	(45,023)
Current portion of lease liabilities	(1,878)	(1,481)
Current portion of long-term debt	(8,767)	(8,616)
Other current liabilities	(221)	(1,568)
<b>Total working capital<sup>1</sup></b>	<b>15,477</b>	<b>14,795</b>

## 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 ability of the Company to continue as a going concern;
- future liquidity and financial position;
- the Company’s growth and business strategies;
- the Company’s markets for current and proposed product offering;
- the sufficiency of the Company’s resources to fund continued operations;
- the Company’s expectations regarding its future sales;
- the Company’s expectations relating to the success of AgMedica and its integration into the Company’s overall operations;
- the Company’s expectations regarding the competitive landscape generally, and with respect to future volatility in its gross margin related to price competition;
- 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;
- 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 expectations relating to the international regulatory landscape applicable to the Company’s business;
- the Company’s expectations with respect to any ongoing construction activities or further expansion or development of the Company’s facilities; and
- the Company’s contractual obligations and the anticipated timing thereof.

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 to raise additional capital and to execute on its expansion plans;
- the timelines for new product launches;
- Decibel’s ability to successfully integrate AgMedica’s operations;
- 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, but are not limited to:

- 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 and other third regulatory bodies;
- 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 impact of the imposition of duties and tariffs and other trade barriers, and the impact of such measures on the broader Canadian economy;
- inflation, price volatility and other economic risks that may impact the costs of the Company's products;
- 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: anticipated target gross margin and the potential for a significant reduction in labour requirements and logistics costs, 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*

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

### *Competition and Price Compression*

The Canadian recreational cannabis industry is competitive in all of its phases. The impact of this competition has been reflected in the Company's financial results, and the Company will continue to face strong competition from other companies. Many of these companies have greater financial resources, operational experience and technical capabilities than Decibel. As a result of this competition, Decibel may be unable to maintain its operations or develop them as currently proposed, on terms it considers acceptable or at all. Consequently, the revenues, operations and financial condition of Decibel could be materially adversely affected. The number of licences granted to sell recreational cannabis could have an impact on the operations of Decibel. Because of the relatively early stage of the

industry in which Decibel operates, Decibel may face additional competition from new entrants. If the number of users of recreational cannabis in Canada is high, the demand for products will increase and Decibel expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, Decibel will require a continued high level of investment in its facilities, equipment, research and development, marketing, sales and client support. Additionally, Decibel intends to continue diversifying its sales by increasing sales in existing foreign markets and entering new ones. Decibel may not have sufficient resources to maintain facilities, equipment, research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of Decibel. Additionally, there is potential that the industry will continue to undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of Decibel.

#### *The Company May Not be Able to Successfully Develop New Products or Find a Market for Their Sale*

The medical and adult-use recreational cannabis industries remain in the early stages of development, and it is likely that the Company, and its competitors, will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Company may need to expend significant amounts of capital in order to successfully develop and generate revenues from new products introduced by the Company. As well, the Company may be required to obtain and maintain additional regulatory approvals from Health Canada and any other applicable regulatory authority, which may take significant amounts of time. Consumer preferences may change, and the Company may be unsuccessful in acquiring or retaining consumers and keeping pace with changing market developments. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of such product development and regulatory approval processes, may have a material adverse effect on the Company's business, financial condition and results of operations. The vape market is a new market that is still evolving and is subject to significant uncertainty, including as a result of negative press and regulatory scrutiny of vape products in the United States, among other examples.

In addition to being subject to general business risks and to risks inherent in the nature of an early-stage business in a regulated industry, Decibel will need to continue to build brand awareness through significant investment in strategy, production capacity and quality assurance. Decibel's brand and products may not be effectively promoted as intended. The recreational cannabis industry is marked by competitive conditions, consumer tastes and unique circumstances, and spending patterns that differ from existing markets.

#### *Regulatory Risks and International Operations*

Decibel operates in an industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may occur and Decibel may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements. Decibel's business is subject to the *Cannabis Act* and *Cannabis Regulations*, *IMC-GAP* and *GACP*. Decibel's ability to produce cannabis and cannabis derivative products from the Thunderchild Cultivation Facility, the Creston Facility, the AgMedica Facility, and the Plant to the public in Canada and for export to Israel is dependent on its ability to maintain the applicable licence(s) pursuant to the Cannabis Tracking and Licensing System and any global, federal, provincial and municipal authorities for retail sales and maintaining such licence(s) in good standing. Failure to: (i) comply with the requirements of the applicable licence(s) to allow for sale of recreational cannabis products to the public; and (ii) maintain these licence(s) in good standing would have a material adverse impact on the business, financial condition and operating results of Decibel.

Decibel will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions of Decibel's operations.

In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Decibel's operations, increased compliance costs or may give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of Decibel. The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of

market participants. The marketability of any product may be affected by numerous factors that are beyond Decibel's control and which cannot be predicted, including changes to government regulations. Changes in government levies and taxes could reduce Decibel's earnings and could make future capital investments or Decibel's operations uneconomic. The recreational cannabis industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

In addition to regulation regarding the production and sale of cannabis, Decibel is also subject to health, safety and environmental regulations with which it is required to comply. See the section below titled "*Environmental Regulations and Risks*" for more information on environmental regulations.

The provincial legislative and operational framework pertaining to the distribution of cannabis varies among provinces and territories and could result in additional provincial and territorial regulations, creating additional compliance and other costs and/or limitations on Decibel's ability to participate in such markets. There is no guarantee that provincial legislation regulating the distribution and sale of cannabis for adult-use purposes will be enacted according to all the terms announced by such provinces, or at all, or that any such legislation, if enacted, will create the growth opportunities that Decibel currently anticipates. While the impact of any new legislative framework for the regulation of the Canadian adult-use cannabis market is uncertain, any of the foregoing could result in a material adverse effect on Decibel's business, financial condition, and results of operation. The asymmetrical regulatory and market environment for cannabis in each of the provinces and territories could materially and adversely affect the business, financial condition, and results of operations of Decibel.

The governments of every Canadian province and territory have, to varying degrees, implemented regulatory regimes or the distribution and sale of cannabis for adult-use purposes within those jurisdictions as more fully described immediately below. The provincial regimes governing adult-use cannabis is uncertain. The Company and the industry face competition from the illegal cannabis market. The business of the Company is or may become subject to a variety of laws related to controlled substances and money laundering, the application of which to the business of the Company is unsettled and still developing and which could subject the Company to claims or otherwise harm the Company. The regulated nature of the business of the Company may impede or discourage a takeover, which could reduce the market price of the Common Shares.

#### *Product Liability*

There is inherent risk of exposure to product liability claims in its future operations as a distributor and producer of products designed to be ingested by humans. Regulatory actions or litigation may result if its products are alleged to have caused loss or injury. In addition, the future sale of Decibel's products may involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of its products alone or in combination with other substances or medications could occur. The Company may be subject to various product liability claims, including but not limited to, that the Company's products caused illness or injury, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, adverse effects on its reputation with its clients and consumers generally and could have a material adverse effect on the results of operations and financial condition of the Company. There can be no guarantee that the Company will be able to maintain product liability insurance with adequate coverage against potential liabilities on reasonable terms. There can be no assurance of availability of this insurance in the future on acceptable terms, or at all.

The inability to obtain sufficient insurance coverage at commercial terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of some or all of the Company's potential products.

#### *Product Recalls and Returns*

Manufacturers and distributors of products are sometimes subject to the recall or return of the products they produce or sell for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. Should any of the Company's products be subject to a recall due to an alleged product defect or for any other reason, the Company could be forced to incur the expense of the recall and any legal proceedings that may arise in connection with the

recall. The Company may be unable to sell a significant amount of its inventory or lose a significant amount of sales and may not be able to replace those sales at an acceptable margin, or at all. A product recall may require significant management attention in addition to the financial costs. Although the Company has detailed procedures in place for testing its products, there can be no guarantee that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits.

Additionally, if one of the Company's brands were subject to a recall, the customer perception of that brand and the Company as a whole could be harmed. A recall for any reason could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by regulatory agencies including Health Canada and require further management attention, increased legal fees and other expenses.

#### *Changes in Trade Policies and Implementation of Tariffs*

Significant changes in domestic and international trade policies, including tariffs and retaliatory measures, could impact the Company's supply chain and financial performance. For example, since January 20, 2025, the U.S. Government has threatened, imposed, and subsequently withdrawn in some cases, tariffs on certain imports from Canada, as well as other countries. In response, the Canadian government has imposed tariffs and threatened to impose further tariffs on certain imports from the U.S. to Canada. The impact on the Company of the tariffs imposed or potential tariffs to be imposed by the U.S. and any other future actions taken by the U.S. is uncertain and depends on various factors, such as subsequent negotiations between affected countries, duration of tariffs, escalation of tariffs, retaliatory measures, exemptions or exclusions that may be granted, and impact on the Canadian economy and consumer purchasing. Other countries where we sell our products have changed, and may continue to change, their own policies on trade. Further, this ongoing trade dispute and the possibility of further escalation pose a risk to the broader Canadian economy and the markets in which the Company operates, and creates the risk of currency exchange rate fluctuations. These measures may disrupt supply chains, increase costs, and create financial uncertainty. Additionally, the ongoing volatility surrounding trade policies could weigh on economic stability, potentially affecting the Company's business operations and financial performance.

#### *Management of Growth*

Decibel may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Decibel to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Decibel to deal with this growth may have a material adverse effect on Decibel's consolidated business, financial condition, results of operations and prospects.

#### *Litigation*

Decibel has been party to litigation in the past and may continue to be involved in litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which Decibel becomes involved be determined against Decibel such a decision could adversely affect Decibel's ability to continue operating and the market price for the Common Shares and could use significant resources. Even if Decibel is involved in litigation and wins, litigation can redirect significant Decibel resources. Litigation may also create a negative perception of Decibel's brand. The Company is not aware of any legal disputes in which it is named, nor does it have any financial contingencies for litigation at this time, in respect of any proceeding that involves a claim for damages, exclusive of interest and costs, that represents greater than 10% of the current assets of the Company.

#### *Marketing Constraints*

The Company's intended operations and future operating results may be hindered by the applicable regulations which restrict the sales and marketing activities of the Company and the cannabis industry. These regulations may limit the Company's ability to compete for market share if it is unable to effectively market its products. If the Company is unable to effectively market its products its intended operations and future operating results may be affected adversely.



### *Difficulty to Forecast*

Decibel must rely mainly on its own market research to forecast sales and expenses as detailed forecasts are generally not available from reputable sources at this early stage of the cannabis industry in Canada.

If demand does not materialize for its products as a result of competition, technological change, regulatory change or other factors this could have an adverse material effect on the Company.

### *Reliance on Licences*

Decibel's ability to continue its business of growth, production, manufacturing, storage and distribution of Cannabis Products is dependent on maintaining existing and future *Cannabis Act* licences (“**Licences**”) and adherence to all regulatory requirements related to such licensing. Failure to comply with the requirements of the Licences or any failure to maintain the Licences may have a material adverse impact on Decibel's business, financial condition and results of operations. Although Decibel believes it will meet the requirements for future extensions or renewals of the Licences, there can be no guarantee that a new Licences will be granted, extended or renewed as necessary or, if extended or renewed, that the Licences will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the Licences or should it renew the Licences on different terms, Decibel's business, financial condition and results of operations may be materially adversely affected.

### *Key Personnel*

Decibel is highly dependent on the ability, expertise, judgement, discretion and good faith of our senior management team as well as other senior employees within the Company. The Company's future success depends on its ability to retain these key personnel as well as to attract, develop and retain highly qualified and skilled employees. There is significant demand for qualified individuals and as a result the Company may incur significant costs to attract and retain them.

As part of the Company's Health Canada application, each key person at the Company must receive security clearance from Health Canada. There is no guarantee that existing personnel will receive security clearance. Under Health Canada regulations, a security clearance remains in effect for a maximum of five years and must be renewed before expiration. There is no guarantee that existing personnel will receive security clearance upon the required renewal in this period. Failure by a key person to gain or maintain the required security clearance could result in a material adverse effect on the Company.

### *Reliance on Third Party Suppliers, Manufacturers and Contractors*

In addition to its own proposed vertically integrated structure, the Company intends to use third-party suppliers, manufacturers and contractors in the provision of products and services. Should one or more of these third-parties choose to discontinue a business relationship or withdraw its services from the Company due to regulatory reasons or otherwise, the Company and its future operations may suffer adverse effects.

### *Reliance on Suppliers and Skilled Labour*

The ability of Decibel to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to the raw products, supplies and skilled labour it requires to develop or grow its product. No assurances can be given that Decibel will be successful in maintaining its required supply of skilled labour and raw products.

### *Internal Controls*

Effective internal controls are a necessity for Decibel to be able to provide reliable and accurate financial reports and to help safeguard against fraud. Although Decibel will undertake a number of procedures and will implement a number of preventative measures, in each case, in order to help ensure the reliability of its financial reports, Decibel cannot be sure that such measures will ensure Decibel will maintain adequate control over financial reporting and processes. Failure to implement newly required or improved controls, or difficulties or delays encountered in their implementation, could harm the Company's financial position or operating results or cause it to fail to meet its

reporting obligations. If Decibel or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce investor confidence in the Consolidated Financial Statements and materially adversely affect the perceived value of Decibel or its ability to access capital markets.

#### *Information Technology Systems and Cyber-Security*

The Company relies heavily on information technology, such as computer hardware and software systems, in order to properly operate its business. In the event the Company is unable to regularly deploy software and hardware, effectively upgrade systems and network infrastructure, and take other steps to maintain or improve the efficiency and efficacy of systems, the operation of such systems could be interrupted or result in the loss, corruption, or release of data, compromise confidential customer or employee information, result in the disruption of business, theft or extortion of funds, regulatory infractions, loss of competitive advantage and reputational damage. In addition, information systems could be damaged or interrupted by natural disasters, force majeure events, telecommunications failures, power loss, acts of war or terrorism, computer viruses, malicious code, physical or electronic security breaches, intentional or inadvertent user misuse or error, or similar events or disruptions. Any of these or other events could cause interruptions, delays, loss of critical and/or sensitive data or similar effects, which could have a material adverse impact on the protection of intellectual property, and confidential and proprietary information, and on the Company's business, financial condition, results of operations and cash flows. In the ordinary course of business, the Company collects, uses and stores sensitive data, including intellectual property, proprietary business information and personal information of the Company's employees and third parties. Despite the Company's security measures, its information systems, technology and infrastructure may be vulnerable to attacks by hackers and/or cyberterrorists or breaches due to employee error, malfeasance or other disruptions. Any such breach could compromise information used or stored on the Company's systems and/or networks and, as a result, the information could be accessed, publicly disclosed, lost or stolen. To date the Company has not experienced any material losses relating to cyber-attacks or other information security breaches. However, there can be no assurance that the Company will not incur such losses in the future. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties or other negative consequences, including disruption to the Company's operations and damage to its reputation, which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. Although the Company maintains a risk management program, which includes an insurance component that may provide coverage for the operational impacts from an attack to, or breach of, the Company's information technology and infrastructure, including process control systems, the Company does not currently maintain stand-alone cyber insurance, however, an insurance application for cyber insurance is currently in progress. Furthermore, not all cyber risks are insurable. As a result, the Company's existing insurance may not provide adequate coverage for losses stemming from a cyber-attack to, or breach of, its information technology and infrastructure.

#### *Expansion of Facilities*

Any expansion of Decibel's facilities is subject to various potential problems and uncertainties and may be delayed or adversely affected by a number of factors beyond Decibel's control. These uncertainties include the failure to obtain regulatory approvals, permits, delays in the delivery or installation of equipment by suppliers, difficulties in integrating new equipment with existing facilities, shortages in materials or labor, defects in design or construction, diversion of management resources, and insufficient funding or other resource constraints. The actual cost of construction may exceed the amount budgeted for expansion. As the result of construction delays, cost overruns, changes in market circumstances or other factors, Decibel may not be able to achieve the intended economic benefits from the expansion of operations, which in turn may affect Decibel's business, prospects, financial condition and results of operations.

#### *Availability of Financing*

The ability of Decibel to arrange financing in the future will depend in part upon prevailing capital market conditions, as well as upon the business success of Decibel and the success of cannabis usage in general. There can be no assurance that Decibel will be successful in its efforts to arrange additional financing, or that such financing will be available on terms satisfactory to Decibel. If additional financing is raised by the issuance of shares or other forms of convertible securities from treasury, control of Decibel may change and shareholders may suffer additional dilution. Similarly, future acquisitions may be funded in part by equity of a proposed acquisition target as may be determined by the

directors from time to time. Any such arrangement could have a dilutive effect on the interest of shareholders of Decibel.

If adequate funds are not available, or are not available on acceptable terms, Decibel may not be able to take advantage of opportunities, or otherwise respond to competitive pressures and remain in business.

#### *Attracting Customers*

Decibel's cash flow and desired revenue is dependent on its ability to attract customers. A high level of marketing to achieve initial sales of Decibel's product in the market will be imperative to realize adequate cash flow; however, as Decibel is a young company, it may not be able to attract enough customers to allow it to achieve its cash flow breakeven point. In addition, the Company is exposed to certain industry specific risks to the extent and effectiveness of its advertising such as legal restrictions on advertising for cannabis, and negative public perception of cannabis consumption, which can effect consumer base and desire of third parties to do business with the Company. Refer to "Consumer Perception of the Recreational Cannabis Market".

#### *Compliance with Debt Restrictions*

The Company may be subject to credit risk related to financial and non-financial covenant restrictions on debt financing. Non-compliance with these covenants may cause the Company's debt to be due on demand, effect the Company's short-term liquidity, and cause uncertainty on the Company's ability to continue as a going concern. These covenants may also place restrictions on the Company's ability to seek further debt financing, which may have further effects on the Company's ability to manage its short-term liquidity.

#### *Consumer Perception of the Recreational Cannabis Market*

Decibel believes the recreational cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the recreational cannabis distributed to such consumers. Consumer perception of Decibel's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of recreational cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the recreational cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for Decibel's products and the business, results of operations, financial condition and cash flows of Decibel. Decibel's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on Decibel, the demand for Decibel's products, and the business, results of operations, financial condition and cash flows of Decibel. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of recreational cannabis in general, or Decibel's products specifically, or associating the consumption of recreational cannabis with illness or other negative effects or events, could have such a material adverse effect.

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

#### *Ability to Successfully Execute Strategies*

If Decibel fails to execute any element of its strategy in a timely and effective manner, competitors may be able to seize marketing opportunities that Decibel has identified. Decibel's business strategy will require that it successfully and simultaneously complete many tasks. In order to be successful, Decibel must: (i) attract and retain customers; (ii) hire, train and retain quality employees; and (iii) evolve Decibel's business to gain advantages in a competitive environment.

### *Insurance and Uninsured Risks*

Decibel is subject to a variety of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in personal injury or death, delays in operations, monetary losses, environmental damage, damage to assets and possible legal liability.

Decibel maintains and intends to maintain insurance to protect against certain risks in such amounts which it considers to be reasonable and at an economically feasible cost. Although it intends to maintain this insurance, it will not cover all potential risks associated with its actions and future operations. Insurance may not be available in the future or may not adequately cover any resulting liability. Insurance is not generally available against certain risks, including but not limited to environmental pollution and other hazards which may be encountered by Decibel from time to time and general limitations on crop, business interruption and other inclusions available to the cannabis industry, including general risks associated with insurers and new industries. The Company may become subject to liability for hazards which it is not insured against or which the Company may have elected not to insure against due to premium costs or other reasons. Losses related to these hazards may affect Decibel in a material and adverse manner.

### *Market Price of Securities*

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors included macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the Common Shares is also likely to be significantly affected by short-term changes in the Canadian dollar, and the Company's financial condition or results of operations as reflected in its financial statements.

Other factors unrelated to the performance of the Company that may have an effect on the price of the Common Shares include, but are not limited to, the following: the extent of analytical coverage available to investors concerning the business of the Company may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of Common Shares; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Company's securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity.

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

### *Risks Inherent in the Acquisition of Companies, Assets and Brands*

Decibel acquired AgMedica on October 28, 2024, and further integration of the AgMedica business into the overall operations of Decibel will be required in order for Decibel to fully realize the benefits of the acquisition. There is no guarantee that Decibel will be able to realize these benefits.

Decibel may from time to time elect to pursue additional strategic acquisitions to acquire technologies, brands, businesses, assets or intellectual property which it believes are complementary to its business and/or enter into strategic partnerships in order to leverage its position in the cannabis industry. While Decibel intends to conduct substantial due diligence in connection with such acquisitions, there are risks inherent in any acquisition. Specifically, there could be unknown or undisclosed risks or liabilities associated with such companies which Decibel is not sufficiently indemnified. Any such unknown or undisclosed risks or liabilities could materially and adversely affect Decibel's financial performance and results of operations.

Future acquisitions may expose the Company to potential risks, including risks associated with: (i) the integration of new operations, personnel and services; (ii) unforeseen or hidden liabilities; (iii) potential inability to generate sufficient revenue to offset new costs; (iv) the diversion of resources from the Company's existing business and

technologies; (v) the expenses of acquisitions; or (vi) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new security which could misappropriate proprietary information or cause interruptions in its operations. Decibel may be required to increase its capital expenditures and other resources to protect against such security breaches or to alleviate problems caused by such breaches.

#### *Volatile Share Price*

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

#### *Risks Inherent in Agricultural Business*

The Company's operations include cultivation of cannabis, an agricultural product. This operation will be subject to the inherent risks of agricultural business, including insects, pests, plant disease, climate change, mould, equipment failure, crop failure and other similar agricultural risks. While the Company's cultivation is indoors under climate-controlled conditions and additional provisions intended to reduce these risks, there can be no assurance that natural elements will not have a material adverse effect on any such future production. Significant interruptions in the Company's access to certain key inputs such as labour, raw materials, electricity, water and other utilities may impair its operations and materially affect the business of the Company.

#### *Third Party Transportation*

In order for Decibel to distribute its products, Decibel must depend on third party transportation services. This can cause logistical problems and delays in shipment of its orders and cannot be directly controlled by Decibel. Any delay by third party transportation services may adversely affect Decibel's financial performance. Moreover, security of the product during transportation to and from locations to which Decibel delivers retail products is critical due to the nature of the product. A breach of security during transport could have material adverse effects on Decibel's business, financials, and prospects. Any such breach, could impact Decibel's ability to continue operating under its Licence or the prospect of renewing its Licence.

#### *Protection of Intellectual Property Rights*

The future success of Decibel's business is dependent upon the intellectual property rights surrounding certain technology held by Decibel, including trade secrets, know-how and continuing product innovation. Although Decibel seeks to protect proprietary rights, their actions may be inadequate to protect any proprietary rights or to prevent others from claiming violations of their proprietary rights. There can be no assurance that other companies are not investigating or developing other products that are similar to the products of Decibel. In addition, effective intellectual property protection may be unenforceable or limited in certain countries.

Any of these claims, with or without merit, could subject Decibel to costly litigation. If the protection of proprietary rights is inadequate to prevent unauthorized use or appropriation by third parties, the value of Decibel's intangible assets may be diminished. Any of these events could have an adverse effect on Decibel's business and financial results.

#### *Intellectual Property Risks*

Decibel has certain proprietary intellectual property, including but not limited to trademarks, trade names, brands, patents, trade secrets and proprietary processes. Decibel will rely on this intellectual property as well as the know-how of its employees and other proprietary information, and require certain employees, consultants, suppliers and counterparties to sign confidentiality agreements. In the event of a breach of these confidentiality agreements the Company may not have adequate remedies for such breaches. Outside parties may develop substantially equivalent proprietary information independently without infringing upon any proprietary technology or information. Additionally, outside parties may otherwise gain access to the Company's proprietary information and make use of it in a competitive manner. Any loss of intellectual property, through the avenues listed above or otherwise, may affect the Company in a materially adverse manner.

### *Employee Regulations*

Decibel is exposed to the risk of employee fraud and other misconduct. Employee fraud includes intentional failure to comply with regulations, intentional failure to provide accurate information to regulatory authorities and intentional failure to comply with industry standards. Other misconduct includes failure to report financial information accurately, failure to disclose unauthorized activities to Decibel, and the improper use of information obtained in the course of employment. Employee misconduct resulting in legal action, significant fines or other sanctions could result in a material adverse effect to Decibel's consolidated business, results of operations or financial condition.

### *Global Economic and Financial Deterioration Impeding Access to Capital or Increasing the Cost of Capital*

Market events and conditions, including disruption in the Canadian, U.S. and international financial markets and other financial systems and the deterioration of Canadian, U.S. and global economic and financial market conditions, could, among other things, impact exchange rates and impede access to capital or increase the cost of capital, which would have an adverse effect on Decibel's ability to fund its working capital and other capital requirements.

### *Interest Rate Risk*

The Credit Facility specifies rate(s) at which Decibel must pay interest to the Lender on funded amounts. This interest rate on the Credit Facility is variable and as a result may rise or fall in accordance with the specified market rate. Decibel currently does not hedge this interest rate and may have more difficulty meeting its interest obligations if this interest rate were to increase.

### *Potential Conflicts of Interest*

Some of the directors or officers of Decibel are also directors and/or officers of other reporting and non-reporting issuers. As of the date of this MD&A, and to the knowledge of the directors and officers of Decibel, there are no existing conflicts of interest between Decibel and any of the directors or officers of Decibel. Additional situations may arise where the directors and/or officers of Decibel may be in competition with Decibel. Any conflicts will be subject to and governed by the law applicable to directors' and officers' conflicts of interest. In the event that such a conflict of interest arises at a meeting of Decibel's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of Decibel are required to act honestly, in good faith and in the best interests of Decibel.

### *Additional Financing - Risk Factors Related to Dilution*

The Company may issue additional Common Shares in the future. Future issuances or sales of equity securities could dilute shareholders' ownership and voting power. The issuance of equity securities could also reduce Decibel's earnings per share and value of the Common Shares. The Company is permitted by its articles to issue an unlimited number of Common Shares and an unlimited number of preferred shares, each subject to approval of the Board of Directors and, in the event of any such issuance, shareholders will have no pre-emptive rights associated with the issuance.

### *Environmental Regulations and Risks*

The Company's current and future operations are subject to the environmental regulations of the jurisdictions in which they operate. These regulations mandate the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of waste, both solid and hazardous. Environmental regulations are evolving, generally becoming more stringent and requiring a greater level of responsibility from companies and their officers, directors and employees. Future regulations or changes to regulations may have material adverse effects on the Company and its current and future operations. The development of certain operations of the business rely upon the receipt of permits or government approvals. To the extent such approvals are required and not obtained, the Company may not be able to develop certain operations as they are currently proposed. If the Company fails to comply with applicable laws, regulations and permitting requirements it may result in enforcement actions against the Company, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed. These orders may include corrective measures requiring installation of

additional equipment or remedial actions which could cause the Company to incur additional capital expenditures or other expenses.

Amendments to current laws, regulations, and permits governing the production and sale of cannabis, or more stringent implementation thereof, could have a material adverse affect on the Company by way of increased expenses, capital expenditures or production costs or a reduction in levels of production or revenue or the requirement of abandoning or delaying development.

#### *Seasonality of the Business*

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

#### *Loss of Investment Risk*

An investment in Decibel is speculative and may result in the loss of a substantial portion of an investment. Only potential investors who are experienced in high risk investments and who can afford to lose a substantial portion of their investment should consider an investment in Decibel.

#### *No Guaranteed Return*

There is no guarantee that an investment in Decibel will earn any positive return in the short-term or long-term.

#### *Foreign Currency Risk*

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

#### *Dividends*

Any decision to declare and pay dividends in the future will be made at the discretion of the Board of Directors and will depend on, among other things, the Company's results of operations, current and anticipated cash requirements and surplus, financial condition, any future contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law, and other factors that the Board of Directors may deem relevant. As a result, investors may not receive any return on an investment in the Common Shares unless they sell their shares of Decibel for a price greater than that which such investors paid for them. Decibel has no earnings or dividend record and may not pay any dividends on its Common Shares in the foreseeable future. Dividends paid by Decibel could be subject to tax and, potentially, withholdings.

#### *Fraudulent or Illegal Activity by the Company's Employees, Contractors and Consultants*

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct that violates: (i) government regulations, (ii) manufacturing standards, (iii) federal and provincial healthcare fraud and abuse laws and regulations, or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to comply with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

### *Israel-Hamas War and Conditions in Israel*

On October 7, 2023, a war began between the terrorist organization Hamas and Israel. The Company continues to monitor the conflict in Israel and impacts the conflict has had and potential impacts the conflict could have on the Company's business in Israel. The extent to which the conflict may continue to impact the Company's business and activities will depend on future developments which remain highly uncertain and cannot be predicted.

Prior to the Hamas attack in October 2023, the Israeli government pursued extensive changes to Israel's judicial system, which sparked extensive political debate and unrest. In response to such initiative, many individuals, organizations and institutions, both within and outside of Israel, have voiced concerns that the proposed changes may negatively impact the business environment in Israel including due to reluctance of foreign investors to invest or transact business in Israel as well as to increased currency fluctuations, downgrades in credit rating, increased interest rates, increased volatility in security markets, and other changes in macroeconomic conditions. To the extent that any of these negative developments do occur, they may have an adverse effect on our business and our results of operations.

In addition, attacks by Houthi rebels in the Red Sea has put significant risks on shipping lanes in the area and has resulted in increased shipping costs to various business entities. Continued attacks on shipping in the Middle East may result in further increases in shipping costs and longer transit times and delays in delivering products or procuring supplies. Further escalation of the conflict may spark confrontations in other parts of the Middle East and have further adverse consequences on supply chains, shipping lanes and the Company's business.

The Company continues to monitor these events and will proactively manage the situation, although there is no assurance that the Company's operations will not be adversely affected by current geopolitical tensions and/or associated government sanctions.

Future shipments to Israel are contingent on, among other factors, customer buying patterns, receipt of applicable import and export permits, ongoing domestic and international regulatory compliance, maintaining ongoing compliance with facility and processes standards, and contractual matters. Although the Company believes it is in compliance with domestic and international trade law related to its shipments to Israel, the outcome of the Anti-Dumping Investigation may result in risks to future shipments to Israel including potential import duties being imposed on Canadian exports, irrespective of the Israeli anti-dumping findings including or excluding the Company and its exports.