MANAGEMENT DISCUSSION AND ANALYSIS

OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS

FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2018

Stated in United States Dollars

Dated on: 28 August 2018

For The Three and Six-Months Ended June 30, 2018
Report to Shareholders and Management Discussion and Analysis

Expressed in United States Dollars

To Our Shareholders

This management's discussion and analysis of the financial condition and results of operation ("**MD&A**") of Planet 13 Holdings Inc. ("**P13**" or the "**Company**") should be read in conjunction with P13's unaudited condensed consolidated interim financial statements for the three and six-month period ended June 30, 2018, and the audited annual financial statements for the year ended December 31, 2017 and related notes therein.

Except as otherwise indicated, all financial data in this MD&A have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**").

All dollar amounts in this MD&A are reported in United States dollars except where otherwise indicated. As at June 30, 2018, the Company had a working capital surplus of $17,262,373 and had reported a net loss of $3,489,171 for the six-month period ended June 30, 2018.

Further information about the Company, its operations and other continuous disclosure documents, including the Company's press releases and the filing statement with respect to the Reverse Take-Over of Carpincho Capital Corp. ("**Carpincho**") and the amalgamation with 10653918 Canada Inc. are available through filings with the securities regulatory authorities in Canada under the Company's profile (Planet 13 Holdings Inc.) at www.sedar.com.

Forward-Looking Statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Forward-Looking Information	Key Assumptions	Most Relevant Risk Factors
Future funding for strategic business initiatives	The Company will continue to be able to operate its businesses in the state of Nevada and raise the necessary funds to advance its strategic growth objectives.	Cannabis-Related Practices or Activities are Illegal Under U.S. Federal Laws The concepts of "medical cannabis" and "recreational cannabis" do not exist under U.S. federal law. The U.S. *Federal Controlled Substances Act* classifies "marijuana" as a Schedule I drug. Accordingly, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under U.S. federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under U.S. federal law, nor will it provide a defence to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also refer to those risk factors in the "Risk Factors" section below. Readers are cautioned that the preceding table does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its anticipated results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

CORPORATE OVERVIEW

Planet 13 Holdings Inc. is a vertically integrated company active in the cultivation, production and distribution of both medical and recreational cannabis in the state of Nevada. The Company holds 2 cultivation licenses - one in Clark County Nevada (Las Vegas) that is located in approximately 15,000 square foot facility with indoor cultivation and a perpetual harvest cycle. This facility has a current production capacity of approximately 2,100 lbs/year (950 kg/year) of dried cannabis. The second cultivation license is located near the town of Beatty in Nye County Nevada. The facility currently houses approximately 500 square feet of R&D and genetics testing. The Beatty site has the potential for over 2,300,000 square feet of greenhouse production capacity on 80 acres of owned land with municipal water and abundant electrical power already at the edge of the property The Company also has 2 production licenses, one in Clark County that is co-located within the cultivation facility and is approximately 2,300 square feet and incorporates BHO, distillation equipment and microwave assisted extraction equipment, and the second co-located at the Beatty facility. The Company also has 2 dispensary licenses, one for medical that operates under the Medizin brand and the second for the sale of recreational product. The licenses operate out of the same joint location and presently occupy approximately 2,300 square feet of retail space and are open 24 hours/day, 7 days per week. The Company has entered into a lease agreement for approximately 100,000 square feet of commercial space located adjacent to the Las Vegas Strip where it is in the process of developing a cannabis entertainment complex ("The Planet 13 Superstore") and transfer its existing dispensary licenses to the new location. The Planet 13 Superstore is on schedule to open to the public on November 1, 2018. The Planet 13 Superstore will have the capacity to serve between 2,000 to 3,000 customers per day through its new, enhanced dispensary. It is the Company's plan to build out the balance of the Planet 13 Superstore location with ancillary offerings such as a coffee shop and a potential cannabis lounge in a segregated area of the facility where patrons will be able to consume products that have been purchased at the dispensary should the state and county pass the necessary legislation that legalizes consumption lounges and the Company is successful in obtaining a license for such activity. The Planet 13 Superstore will also house the Company's corporate offices. The Company intends to acquire two additional licenses (medical and recreational) either through the next round of license grants or through an acquisition of existing licenses and transfer them to the Company's current Medizin dispensary so that it will be able to continue operations out of its existing location

The Company was incorporated on March 20, 2014 as a domestic limited liability company (LLC). On March 14, 2018, MMDC underwent a statutory conversion to a Nevada domestic corporation named MM Development Company, Inc. On June 11, 2018 the Company then completed a reverse-take-over ("**RTO**") transaction of Carpincho Capital Corp. (as described), and the resulting entity was renamed Planet 13 Holdings Inc. MM Development Company, Inc. will continue to exist to conduct licensed Nevada state cannabis operations and is owned 100% by Planet 13 Holdings, Inc.

The Company opened its Medizin medical marijuana dispensary on April 1, 2016 and released its own Medizin branded strains/products into the market on July 1, 2017. Recreational cannabis became legal in the state of Nevada for any one over the age of 21 on July 1, 2017 and the Company began selling recreational cannabis products under the Planet 13 brand under its recreational dispensary license co-located with the Medizin dispensary.

The focus of activity during the first six months of 2018 has been to grow marijuana and provide cannabis and related products to the Company's medical marijuana and recreational customers as well a continuing to build out the Planet 13 branded recreational marijuana products and related cannabis products to recreational customers. The legalization of the sale and consumption of recreational marijuana came into effect in the State of Nevada on July 1, 2017.

DESCRIPTION OF THE U.S. LEGAL CANNABIS INDUSTRY

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) dated February 8, 2018 – Issuers with U.S. Marijuana-Related Activities ("CSA Notice 51-352"), below is a discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is currently directly involved. In accordance with CSA Notice 51-352, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation.

Use of Cannabis

Marijuana is a preparation of the leaves and flowering tops of cannabis sativa, the hemp plant, which contains several pharmacologically active principles (cannabinoids). It is used for its euphoric properties and is considerably more potent when smoked and inhaled than when simply eaten.

Medical cannabis refers to the use of cannabis and its constituent cannabinoids, such as tetrahydrocannabinol ("THC") and cannabidiol ("CBD"), as medical therapy to treat disease or alleviate symptoms. The cannabis plant has a history of medicinal use dating back thousands of years across many cultures.

Smoking cannabis is the most traditional form of ingestion and consists of smoking the dried flowers or leaves of the cannabis plant. Cannabis can be smoked through a pipe, rolled into a joint (or cigarette), or smoked using a water pipe (bong). Vaporizing involves using a vaporizer, which is a device that is able to extract the therapeutic ingredients in the cannabis plant material at a much lower temperature than required for burning. This allows users to inhale the active ingredients as a vapor instead of smoke. Many medical marijuana patients find that vaporizing offers an improved medical effectiveness, compared to smoking.

Topical cannabis encompasses herbal medicines that are applied directly to the skin or muscles. They include lotions, salves, balms, sprays, oils, and creams. Some patients report they are effective for skin conditions like psoriasis, joint diseases like rheumatoid arthritis, migraines, restless leg syndrome, some spasms, and everyday muscle stress and soreness. Unlike smoking, vaporizing or eating cannabis, topical products which are typically low in THC and higher in CBD are generally non-psychoactive.

Nevada

Despite legal, regulatory and political obstacles, the U.S. cannabis industry continues to experience substantial growth. Nevada was one of the first states to legalize adult-use cannabis and is projected to remain a significant market in the U.S., largely due to the tourism industry. Estimated in-state adult-use sales totalled approximately USD $200 million in the first six months following legalisation on July 1, 2017.

LEGAL AND REGULATORY MATTERS

United States Federal Overview

In the U.S., 29 states and Washington D.C. have legalized medical marijuana, while nine states and Washington D.C. have also legalized adult-use marijuana. At the federal level, however, cannabis currently remains a Schedule I controlled substance under the U.S. Controlled Substance Act of 1970 (the "CSA"). Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, the manufacture, importation, possession, use or distribution of cannabis remains illegal under U.S. federal law. This has created a dichotomy between state and federal law, whereby many states have elected to regulate and remove state-level penalties regarding a substance which is still illegal at the federal level.

While technically illegal, the U.S. federal government's approach to enforcement of such laws has, at least until recently, trended toward non-enforcement. On August 29, 2013, the U.S. Department of Justice ("DOJ") issued a memorandum known as the "Cole Memorandum" to all U.S. Attorneys' offices (federal prosecutors). The Cole Memorandum generally directed U.S. Attorneys not to prioritize the enforcement of federal marijuana laws against individuals and businesses that rigorously comply with state regulatory provisions in states with strictly-regulated medical or adult-use cannabis programs. The Cole Memorandum, while not legally binding, assisted in managing the tension between state and federal laws concerning state-regulated marijuana businesses.

However, on January 4, 2018 the Cole Memorandum was revoked by Attorney General Jeff Sessions. While this did not create a change in federal law - as the Cole Memorandum was not itself law - the revocation added to the uncertainty of U.S. federal enforcement of the CSA in states where cannabis use is regulated. Sessions also issued a one-page memorandum known as the "Sessions Memorandum." This confirmed the rescission of the Cole Memorandum and explained that the Cole Memorandum was "unnecessary" due to existing general enforcement guidance as set forth in the U.S. Attorney's Manual (the "USAM"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community."

While the Sessions Memorandum does emphasize that marijuana is a Schedule I controlled substance and states the statutory view that it is a "dangerous drug and that marijuana activity is a serious crime," it does not otherwise guide U.S. Attorneys that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether to prosecute marijuana-related offenses. U.S. Attorneys could individually continue to exercise their discretion in a manner similar to that displayed under the Cole Memorandum's guidance. Dozens of U.S. Attorneys across the country have affirmed their commitment to proceeding in this manner, or otherwise affirming that their view of federal enforcement priorities has not changed, although a few have displayed greater ambivalence. In Nevada, the U.S. Attorney has yet to make any comments regarding the revocation of the Cole Memorandum or indicate any changes to enforcement priorities.

While it is too soon to determine what prosecutorial effects will be created by the rescission of the Cole Memorandum, a nationwide "crackdown" is unlikely. The sheer size of the cannabis industry, in addition to participation by state and local governments and investors, suggests that a large-scale enforcement operation would more than likely create unwanted political backlash for the DOJ and the Trump administration. It is also possible that the rescission of the Cole Memorandum could motivate Congress to finally reconcile federal and state laws. Regardless, marijuana remains a Schedule I controlled substance at the federal level, and neither the Cole Memorandum nor its rescission has altered that fact. The federal government of the U.S. has always reserved the right to enforce federal law in regard to the sale and disbursement of medical or adult-use marijuana, even if state law sanctioned such sale and disbursement. From a purely legal perspective, the criminal risk today remains identical to the risk on January 3, 2018. It remains unclear whether the risk of enforcement has been altered.

Additionally, under U.S. federal law, it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from the sale of marijuana or any other Schedule I controlled substance. Canadian banks are likewise hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions, particularly those that are federally chartered in the U.S., could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses.

Despite these laws, the U.S. Department of the Treasury's Financial Crimes Enforcement Network ("FinCEN") issued a memorandum on February 14, 2014 (the "FinCEN Memorandum") outlining the pathways for financial institutions to bank state-sanctioned marijuana businesses in compliance with federal enforcement priorities. The FinCEN Memorandum echoed the enforcement priorities of the Cole Memorandum. Under these guidelines, financial institutions must submit a Suspicious Activity Report ("SAR") in connection with all marijuana-related banking activities by any client of such financial institution, in accordance with federal money laundering laws. These marijuana-related SARs are divided into three categories – marijuana limited, marijuana priority, and marijuana terminated – based on the financial institution's belief that the business in question follows state law, is operating outside of compliance with state law, or where the banking relationship has been terminated, respectively. On the same day as the FinCEN Memorandum was published, the DOJ issued a memorandum (the "2014 Cole Memo") directing prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of marijuana-related conduct. The 2014 Cole Memo has been rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes against state-compliant actors was not a DOJ priority.

However, Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memo has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memo and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum appears to be a standalone document which explicitly lists the eight enforcement priorities originally cited in the Cole Memorandum. As such, the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance. However, in the United States, it is difficult for cannabis-based businesses to open and maintain a bank account with any bank or other financial institution.

In the U.S., a bill has been tabled in Congress to grant banks and other financial institutions immunity from federal criminal prosecution for servicing marijuana-related businesses if the underlying marijuana business follows state law. This bill has not been passed and there can be no assurance with that it will be passed in its current form or at all. In both Canada and the U.S., transactions involving banks and other financial institutions are both difficult and unpredictable under the current legal and regulatory landscape. Legislative changes could help to reduce or eliminate these challenges for companies in the cannabis space and would improve the efficiency of both significant and minor financial transactions.

Although the Cole Memorandum and 2014 Cole Memo have been rescinded, one legislative safeguard for the medical marijuana industry remains in place: Congress has used a rider provision in the FY 2015, 2016 and 2017 Consolidated Appropriations Acts (currently the "Rohrabacher-Farr Amendment") to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating in compliance with state and local law. Since October 1, 2017, the U.S. federal government has been temporarily appropriated under a series of continuing budget resolutions. Because the 2017 Consolidated Appropriations Act has been extended until September 2018 under a continuing budget resolution, the Rohrabacher-Farr Amendment is still in effect.

Despite the legal, regulatory, and political obstacles the marijuana industry currently faces, the industry has continued to grow. It was anticipated that the federal government would eventually repeal the federal prohibition on cannabis and thereby leave the states to decide for themselves whether to permit regulated cannabis cultivation, production and sale, just as states are free today to decide policies governing the distribution of alcohol or tobacco.

Given current political trends, however, these developments are considered unlikely in the near-term. As an industry best practice, despite the recent rescission of the Cole Memorandum, the Company intends to abide by the following to ensure compliance with the guidance provided by the Cole Memorandum:

- ensure that its operations are compliant with all licensing requirements as established by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions;
- ensure that its cannabis related activities adhere to the scope of the licensing obtained (for example: in the states where cannabis is permitted for adult-use, the products are only sold to individuals who meet the requisite age requirements);
- Implement policies and procedures to ensure that cannabis products are not distributed to minors;
- Implement policies and procedures in place to ensure that revenue is not distributed to criminal

enterprises, gangs or cartels;

- Implement adequate inventory tracking system and necessary procedures in place to ensure that such compliance system is effective in tracking inventory and preventing diversion of cannabis or cannabis products into those states where cannabis is not permitted by state law, or cross any state lines in general;
- ensure that its state-authorized cannabis business activity is not used as a cover or pretence for trafficking of other illegal drugs, is engaged in any other illegal activity or any activities that are contrary to any applicable anti-money laundering statutes;
- ensure that its products comply with applicable regulations and contain necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and prevent impaired driving.

In addition, the Company may (and frequently does) conduct background checks to ensure that the principals and management of its operating subsidiaries are of good character, and have not been involved with other illegal drugs, engaged in illegal activity or activities involving violence, or use of firearms in cultivation, manufacturing or distribution of cannabis. The Company will also conduct ongoing reviews of the activities of its cannabis businesses, the premises on which they operate and the policies and procedures that are related to possession of cannabis or cannabis products outside of the licensed premises, including the cases where such possession is permitted by regulation.

Nevada State Level Overview

Nevada has a medical marijuana program and passed an adult-use legalization through the ballot box in November 2016. In 2000, Nevada voters passed a medical marijuana initiative allowing physicians to recommend cannabis for an inclusive set of qualifying conditions including chronic pain and created a limited non-commercial medical marijuana patient/caregiver system. Senate Bill 374, which passed the legislature and was signed by the Governor in 2013, expanded this program and established a for-profit regulated medical marijuana industry.

The Nevada Division of Public and Behavioural Health (the "Division") licensed medical marijuana establishments up until July 1, 2017 when the state's medical marijuana program merged with adult-use marijuana enforcement under the Nevada Department of Taxation ("DoT"). In 2014, Nevada accepted medical marijuana business applications and a few months later the Division approved 182 cultivation licenses, 118 licenses for the production of edibles and infused products, 17 independent testing laboratories, and 55 medical marijuana dispensary licenses. The number of dispensary licenses was then increased to 66 by legislative action in 2015. The application process was merit-based, competitive, and is currently closed.

Residency is not required to own or invest in a Nevada medical cannabis business. In addition, vertical integration is neither required nor prohibited. Nevada's medical law includes patient reciprocity, which permits medical patients from other states to purchase marijuana from Nevada dispensaries. Nevada also allows for dispensaries to deliver medical marijuana to patients.

Under Nevada's adult-use marijuana law, the DoT licenses marijuana cultivation facilities, product manufacturing facilities, distributors, retail stores and testing facilities. After merging medical and adult- use marijuana regulation and enforcement, the single regulatory agency is now known as the "Marijuana Enforcement Division of the Department of Taxation." For the first 18 months after legalization, applications to the Department for adult-use establishment licenses can only be accepted from existing medical marijuana establishments and existing liquor distributors for the adult-use distribution license.

The issuance of retail marijuana distribution licenses has been subject to an ongoing legal battle after the DoT opened distribution licenses to existing medical marijuana establishments based on the premise that there was an insufficient number of applications from existing liquor distributors to service the new adult- use cannabis market. There are currently 24 licensed distributors that are medical marijuana establishments and six licensed distributors that are liquor distributors.

In February 2017, the DoT announced plans to issue "early start" recreational marijuana establishment licenses in the summer of 2017. These licenses expire at the end of the year and, beginning on July 1, 2017, allowed marijuana establishments holding both a retail marijuana store and dispensary license to sell their existing medical marijuana inventory as either medical or adult-use marijuana. All cannabis cultivated, and infused products produced under the adult-use program that were not existing inventory at a medical marijuana dispensary must be transported to retail marijuana stores utilizing a licensed retail marijuana distributor. Starting on July 1, 2017, medical and adult-use marijuana became subject to a 15% excise tax on the first wholesale sale (calculated on the fair market value) and adult-use cannabis is subject to an additional 10% special retail marijuana sales tax in addition to any general state and local sales and use taxes.

The DoT is responsible for licensing and regulating retail marijuana businesses and medical marijuana program in Nevada. There are five types of retail marijuana establishment licenses:

- *Cultivation Facility* – Licenses to cultivate (grow), process, and package marijuana; to have marijuana tested by a testing facility; and to sell marijuana to retail marijuana stores, to marijuana product manufacturing facilities, and to other cultivation facilities, but not to consumers.
- *Distributor* - Licenses to transport marijuana from a marijuana establishment to another marijuana establishment.
- *Product Manufacturing Facility* - Licenses to purchase marijuana; manufacture, process, and package marijuana and marijuana products; and sell marijuana and marijuana products to other product manufacturing facilities and to retail marijuana stores, but not to consumers.
- *Testing Facility* - Licenses to test marijuana and marijuana products, including for potency and contaminants.
- *Retail Store* - Licenses to purchase marijuana from cultivation facilities, marijuana and marijuana products from product manufacturing facilities, and marijuana from other retail stores; can sell marijuana and marijuana products to consumers.

The regular retail marijuana program began in early 2018. The Regulation and Taxation of Marijuana Act specifies that, for the first 18 months of the program, only existing medical marijuana establishment certificate holders can apply for a retail marijuana establishment license. Beginning in November 2018, the DoT will open the application process to those not holding a medical marijuana establishment certificate. The regular program will be governed by permanent regulations, drafted by the DoT.

U.S. Legal Advice

The Company is in compliance with U.S. state law and the related licensing framework. The Company uses reasonable commercial efforts to confirm, through the advice of its U.S. counsel, through the monitoring and review of its business practices, and through regular monitoring of changes to U.S. Federal enforcement priorities, that its businesses are in compliance with applicable licensing requirements and the regulatory frameworks enacted by Nevada. The Company is not aware of the receipt by any of its subsidiaries of noncompliance orders, citations or notices of violation, that may have an impact on such entities licences, business activities or operations.

Regulatory Risks

The U.S. cannabis industry is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may impact on actual results.

Participants in the U.S. cannabis industry 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 operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect its ability to conduct its business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on the Company's financial statements also could occur for the period in which the effect of an unfavorable outcome becomes probable and reasonably estimable.

The U.S. cannabis 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 the control of the Company and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future growth uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of the Company and which cannot be reliably predicted.

The Company expects to derive all of its revenues from the U.S. cannabis industry, which industry is illegal under U.S. federal law. As a result of the conflicting views between state legislatures and the federal government regarding cannabis, cannabis businesses in the U.S. are subject to inconsistent legislation and regulation. The Company expects to remain focused in the state of Nevada, which has legalized the medical and recreational adult-use of cannabis. The U.S. federal government has not enacted similar legislation and the cultivation, sale and use of cannabis remains illegal under federal law pursuant to the CSA. The federal government of the U.S. has specifically reserved the right to enforce federal law in regard to the sale and disbursement of medical or recreational adult-use use marijuana even if state law sanctioned such sale and disbursement. It is presently unclear whether the U.S. federal government intends to enforce federal laws relating to cannabis where the conduct at issue is legal under applicable state law. This risk was further heightened by the revocation of the Cole Memorandum in January 2018.

Further, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that will make it extremely difficult or impossible to transact business in the cannabis industry. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, then the Company's business would be materially and adversely affected. U.S. federal actions against any individual or entity engaged in the marijuana industry or a substantial repeal of marijuana related legislation could adversely affect the Company. The Company's involvement in the medical and recreational adult-use cannabis industry is illegal under the applicable federal laws of the United States and may be illegal under other applicable law. There can be no assurances the federal government of the United States or other jurisdictions will not seek to enforce the applicable laws against the Company. The consequences of such enforcement would be materially adverse to the Company and the Company's business and could result in the forfeiture or seizure of all or substantially all of the Company's assets.

Nature of the Company's Involvement in the U.S. Cannabis Industry

The Company has a material direct involvement in the cannabis industry in Nevada. Currently, the Company is directly engaged in the cultivation, manufacture and production, possession, use, sale and distribution of cannabis in the medical and adult-recreational use cannabis marketplace in Nevada. Approximately 100% of the Company's assets and revenues are directly attributable to the medical and recreational adult-use cannabis market in Nevada. The Company holds cultivation, production and retail distribution licenses for the State of Nevada.

As previously stated, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, the listing of its securities on any stock exchange, its financial position, operating results and profitability. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

The Company's involvement in the U.S. cannabis industry is presently only in the state of Nevada. The Company may, in future periods, expand its operations outside of Nevada and intends to restrict such future expansion to (i) only in those states that have enacted laws legalizing cannabis; and (ii) only in those state's where the Company can comply with state (and local) laws and regulations and has the licenses, permits or authorizations to properly carry on each element of its business.

In addition, the Company will continue to ensure it is in compliance with applicable licensing requirements and the regulatory framework enacted in Nevada by continuous review of its licenses and affirmation certifications from management.

The Company will continue to monitor, evaluate and re-assess the regulatory framework in the state of Nevada and any state that it may look to expand its operations to in the future, and the federal laws applicable thereto, on an ongoing basis; and will update its continuous disclosure regarding government policy changes or new or amended guidance, laws or regulations regarding cannabis in the U.S.

Anti-Money Laundering Laws and Regulations

The Company is subject to a variety of laws and regulations in the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act) and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S.. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

The Company's activities, and any proceeds thereof, may be considered proceeds of crime due to the fact that cannabis remains illegal federally in the U.S. This may restrict the ability of the Company to declare or pay dividends, or effect other distributions. Furthermore, while the Company has no current intention to declare or pay dividends on its Common Shares in the foreseeable future, the Company may decide to, or be required to, suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Ability to Access Private and Public Capital

The Company has historically relied entirely on access to private capital in order to support its continuing operations and capital expenditure requirements. The Company expects to rely on both private and public capital markets to finance its growth plans in the U.S. legal cannabis industry. Although such business carries a higher degree of risk, and despite the legal standing of cannabis businesses pursuant to U.S. federal laws, the Company believes that it will be successful in raising private and public financing in the future. However, there is no assurance the Company will be successful, in whole or in part, in raising funds, particularly if the U.S. federal authorities change their position toward enforcing the CSA. Further, access to funding from U.S. residents may be limited due their unwillingness to be associated with activities which violate U.S. federal laws.

Expressed in United States Dollars

SIGNIFICANT EVENTS AND TRANSACTIONS TO THE PERIOD

Prior to July 1, 2017 the Company was focused solely on the medical marijuana market through its Medizin branded products, selling high quality products, predominately produced by the Company directly through its vertically integrated operations (cultivation, production of consumable products and the sale of such through its licensed dispensary). The Company created the Planet13 brand in order to distinguish its medical and recreational branded products and began selling products to recreational customers out of its revamped 2,300 sq ft Planet13 and Medizin co-branded, licensed (both medical and recreational licenses), dispensary located at 4850 W Sunset Rd #125, Las Vegas, NV 89118. During the six-month period ended June 30, 2018, sales of recreational cannabis products accounted for approximately 74.6% of the Company's total net revenue for the period. The Company experienced significant month-over month revenue growth as the number of customer visits and the average spend per customer increased significantly over the 6-month period from July 1, 2017 to December 31, 2017. The average number of customers per day has continued to increase subsequent to the period end. Customer demand has also led the Company to extend the operating hours of its existing Medizin dispensary to 24 hours a day, 365 days per year. The Company has organically grown its customer database to over 14,000 unique customers and has introduced a customer loyalty program to help continue to drive both customer visits and product demand. The Company experienced the following average daily customer traffic and spending:

	Six Months Ended 30-Jun-18	Six Months Ended 30-Jun-17	% Change	Three Months Ended 30-Jun-18	Three Months Ended 30-Jun-17	% Change	Three Months Ended 31-Mar-18	Three Months Ended 31-Mar-18	% Change
Average Daily Traffic	638	198	222.6%	693	226	206.0%	581	168	245.3%
Average spend per customer	$69.95	$72.97	(4.1%)	$70.22	$70.96	(1.0%)	$69.61	$75.74	(8.1%)

The Company currently operates one licensed indoor grow facility housed in a 15,000 sq ft industrial building in Las Vegas (Clark County) with a perpetual harvest cycle and the capacity to produce approximately 2,100 lbs/year (approximately 950 kg/year) of finished product. The significant increase in demand for product, as evidenced by the revenue growth during fiscal 2017 and continuing into the six-month period ended June 30, 2018, caused the Company to have to purchase products from other licensed producers in Nevada in order to meet customer demand, a significant increase over the prior period when the Company was only able to sell its Medizin branded product to medical cannabis patients. The Company's original intention was to remain a fully integrated and was in the process of embarking on the expansion of its production capabilities through its cultivation license (both medical and recreational cultivation licenses) on 80 acres of owned land, with access to both municipal water and power, near the town of Beatty (in Nye County, Nevada). The total potential expansion capacity of the Beatty site is approximately 2,300,000 sq ft of greenhouse capacity. The current state of the wholesale cannabis market in the state of Nevada has caused the Company to re-evaluate the timing of its planned build out of the Beatty facility. The Company has been able to enter into a series of long-term cannabis supply agreements with licensed producers of quality cannabis product in the state of Nevada that will enable the Company to ensure that it has sufficient inventory on hand to supply both its existing Medizin dispensary operation as well as ensure that it has sufficient product in inventory to meet the anticipated demand at The Planet 13 Superstore when it opens. The Company intends to continue to progress with the planning of the phase 1 buildout of the Beatty facility (by obtaining the necessary permits and approvals to be able to construct approximately 100,000 sq ft of greenhouse space and a 43,000 sq ft production facility in its planned phase 1 expansion) such that it would be able to aggressively expand its production capacity should there be material changes to the quality and quantity of cannabis and related products that are currently available in the wholesale market. The Company intends to continue to purchase finished product from other third-party licensed producers to complement its own high quality Medizin and Planet 13 branded products in order to maintain product variety at its existing retail dispensary and to ensure that it has an adequate supply of product on hand for the opening of The Planet 13 Superstore.

RTO Transaction

On June 11, 2018 the Company closed the previously announced definitive share exchange agreement with Carpincho Capital Corp. ("Carpincho"), providing for the acquisition (the "Acquisition") of all of the outstanding shares of MM Development, Inc., successor to MMDC, in exchange for shares of Carpincho following a consolidation of the outstanding common shares of Carpincho on the basis of 0.875 consolidated common shares for every one (1) outstanding common share (the "Consolidation"); and (ii) a definitive agreement with Finco and a wholly-owned subsidiary of Carpincho ("Subco"), providing for the amalgamation of Subco and 10653918 Canada Inc. ("Finco")

On April 26, 2018, Finco completed a private placement of subscription receipts (the "Subscription Receipts") at a price of C$0.80 (the "Offering Price") per Subscription Receipt for Gross Proceeds of C$22,575,600 (the "Offering"). A total of 24,760,750 Subscription Receipts were sold pursuant to a brokered offering (the "Brokered Offering") conducted by a syndicate of agents (the "Agents") co-led by Beacon Securities Limited ("Beacon") and Canaccord Genuity Corp. and including Haywood Securities Inc. for gross proceeds of C$19,808,600. Finco also completed a concurrent non-brokered offering of 3,458,750 Subscription Receipts for gross proceeds of C$2,767,000 on April 26, 2018. On May 18, 2018 FINCO completed a second tranche of its non-brokered offering, issuing 3,226,300 Subscription Receipts for gross proceeds of C$2,581,040. On May 23, 2018 FIINCO completed a third tranche of its non-brokered offering issuing 12,500 Subscription Receipts for gross proceeds of C$10,000. The Offering has raised gross proceeds of C$25,166,640. In addition, the Corporation has realized C$180,668 in gains on the conversion of USD proceeds received into Canadian Dollars. The total value of gross proceeds raised in the Offering, including the conversion gain, was C$25,347,308 ($20,205,108).

Each Subscription Receipt entitled the holder to receive, without payment of additional consideration, one unit in the capital of Finco (a "Unit"). Each Unit consisted of one common share (a "Common Share") and one-half of one Common Share purchase warrant (each whole warrant, a "Warrant") of Finco, which Common Shares and Units were exchanged, without further consideration, for one common share of the Company and one common share purchase warrant of the Company, following the Consolidation and upon completion of the RTO transaction on June 11, 2018. Each whole common share purchase warrant of the Company entitles the holder thereof to acquire one common share of the Company at a price of C$1.40 for a period of 24 months.

In connection with the Brokered Offering, the Agents were paid a cash commission of 6% of the gross proceeds of the Brokered Offering (the "Commission"), which was paid out of the gross proceeds of the offering on closing of the RTO. In addition, the Agents were issued an aggregate of 1,485,645 compensation options ("Compensation Options"). Each Compensation Option is exercisable into one Common Share of the Company at the Offering Price for a period of 24 months from the closing of the RTO transaction.

The net proceeds from the Offering are being used by the Company to fund the build out of The Planet 13 Superstore, to continue the planning and permitting of the phase 1 expansion of the Beatty facility as described above, and for working capital in order to ensure the Company has sufficient inventory on hand for the opening of The Planet 13 Superstore and for general corporate purposes.

Conversion of liabilities to RSU's

The Company entered into an agreement to issue 575,000 RSU's to satisfy approximately $388,000 of liabilities.

Conversion of Shareholder debt to equity as part of LLC conversion

On March 14, 2018, MMDC completed a plan of conversion from a Nevada state limited liability company to a Nevada state domestic corporation, MM Development Company, Inc., with the approval of the Nevada State Department of Taxation which oversees licensed cannabis operations in Nevada. Prior to such conversion, on January 1, 2018, founders of MMDC, converted an aggregate of $3,334,304 of their controlled entity debts to equity in MMDC, and an officer of MMDC indirectly contributed valuable intellectual property, including genetic strains, cultivation processes, and manufacturing processes, to MMDC in return for a 6% interest in MMDC. This resulted in the issuance by MMDC of 25,300 class A common voting shares and 49,700,000 class B common non-voting shares. On Closing of the RTO, the shareholders of MM Development Company, Inc. exchanged 100% of their class A common shares for of 25,300,000 Common voting shares and 49,700,000 Class A restricted voting shares of the Company. This resulted in MMDC becoming a wholly owned subsidiary of the Company.

On June 20, 2018 the Company announced that its shares commenced trading on the Canadian Securities Exchange under the symbol PLTH. In addition, the Company announced that Messrs. Groesbeck and Scheffler, through controlled companies, fully converted an aggregate of US$3,409,476 in principal amount and accrued interest of unsecured promissory notes of Planet 13 held by them into an aggregate of 5,532,940 class A restricted shares of Planet 13 (the "Class A Shares"), or 2,766,470 Class A Shares each, at a conversion price of C$0.80 per Class A Share. The 5,532,940 Class A Shares acquired by Messrs. Groesbeck and Scheffler represent approximately 4.7% of the equity of the Company. The shares issued on conversion were valued at CAD$1.00 per share, the closing price of the Company's shares on June 20, the first day of trading. That led to the Company recording a loss of $848,925 on the conversion and settlement of the debt.

SIGNIFICANT EVENTS AND TRANSACTIONS SUBSEQUENT TO THE PERIOD

Payment of Former Shareholder Notes

On October 15, 2015, an original member of the Company, Ollehea, LLC, requested that the Company repurchase its interest as allowed under the LLC operating agreement then in effect. However, the Company at that time had not begun operations and had not yet generated positive cash flow and, as a result, Ollehea was unwilling to accept a note from the Company in repayment of its interest. Consequently, the remaining members, PRMN Investments LLC and Thirteen LLC, agreed to issue promissory notes to Ollehea on behalf of the Company in the amount of $101,997 each to satisfy the repurchase requirement. In connection therewith, the Company agreed to indemnify and reimburse the remaining members for any payments made to Ollehea under the notes. The notes were repaid by the Company on July 9, 2018.

Strategic Disbursement

On or around June 28, 2018, the landlord for the Company's Clark County cultivation facility notified the Company that the mortgage holder of the loan secured by such location was considering foreclosure action against the facility due to the Company's business conducted therein. The landlord further indicated that the building was listed for sale and that it was anticipated that a sale would be completed before December 31, 2018. In connection therewith, and in order to ensure the Company's ability to continue to use the leased premises, the Company made a strategic disbursement of $1,254,862 to the holder of the note secured by the facility. This disbursement is secured by a promissory note bearing interest at 3.95% annually, a deed of trust and a personal guarantee.

Expressed in United States Dollars

RESULTS OF OPERATIONS

	Three Months Ended Jun-30-2018	Three Months Ended Jun-30-2017	Percentage Change	Six Months Ended Jun-30-2018	Six Months Ended Jun-30-2017	Percentage Change
Revenue						
Revenues, net of discounts	4,426,197	1,461,782	202.8%	8,026,679	2,596,215	209.2%
Gain on Biological Asset Transformation	1,058,531	774,970	36.6%	3,189,227	2,375,657	34.2%
Cost of Goods Sold	(3,105,592)	(830,114)	274.1%	(7,214,697)	(1,450,086)	397.5%
Gross Profit	**2,379,136**	**1,406,638**	**69.1%**	**4,001,209**	**3,521,786**	**13.6%**
Expenses						
General and Administrative	1,644,556	589,735	178.9%	2,755,501	1,021,788	169.7%
Sales and Marketing	229,363	32,417	607.5%	334,909	45,808	631.1%
Depreciation and Amortization	29,077	28,804	0.9%	61,440	57,239	7.3%
Non-cash Compensation Expense	1,596,134	-	n/a	1,596,134	-	n/a
Total Expenses	**3,499,130**	**650,956**	**437.5%**	**4,747,983**	**1,124,835**	**322.1%**
Income (Loss) From Operations	**(1,119,994)**	**755,682**	**(248.2%)**	**(746,774)**	**2,396,951**	**(131.2%)**
Other (Income) Expense:						
Interest Expense, net	121,405	255,218	(52.4%)	239,857	488,337	(50.9%)
Foreign exchange (gain) loss	266,521	-	n/a	266,521	-	n/a
RTO acquisition costs	532,367	-	n/a	532,367	-	n/a
(Gain) loss on conversion of debt	848,925	-	n/a	848,925	-	n/a
Total Other (Income) Expense	**1,769,218**	**255,218**	**593.2%**	**1,887,669**	**488,337**	**286.6%**
Net loss for the period before tax	**(2,889,212)**	**500,464**	**(677.3%)**	**(2,634,443)**	**1,908,614**	**(238.0%)**
Provision for tax - current	514,093	478,255	7.5%	854,728	1,197,406	(28.6%)
Net Income (Loss) for the period	**(3,403,305)**	**22,209**	**(15424.0%)**	**(3,489,171)**	**711,208**	**(590.6%)**
Loss per share for the period						
Basic and fully diluted loss per share	**($0.04)**	***na***		**($0.04)**	***na***	
Weighted Average Number of Shares Outstanding	83,819,620	*nil*		79,434,174	*nil*	

	Three Months Ended Jun-30-2018	Three Months Ended Jun-30-2017	Percentage Change	Six Months Ended Jun-30-2018	Six Months Ended Jun-30-2017	Percentage Change	Year Ended Dec-31-2017
EBITDA							
Net profit (loss) before taxes	(2,889,212)	500,464	(677.3%)	(2,634,443)	1,908,614	(238.0%)	2,736,356
Add back:							
Net change in Bio Asset valuation	164,358	(774,970)	na	68,926	(2,375,657)	na	(2,429,156)
Non-cash Compensation Expense	1,596,134	-	na	1,596,134	-	na	-
Depreciation and amortization	29,077	28,804	0.9%	61,440	57,239	7.3%	121,364
Depreciation included in COGS	129,334	119,068	8.6%	258,787	236,651	9.4%	484,075
Other (Income) Expense - one time RTO related costs	1,769,218	255,218	593.2%	1,887,669	488,337	286.6%	976,674
EBITDA	798,909	128,584	521.3%	1,238,512	315,184	292.9%	1,889,313

The Company experienced month-over month sales increases in both of its product lines (medical and recreational) during the three and six-month periods ended June 30, 2018 when compared to the three and six-month periods ended June 30, 2017. The increase in revenue can be directly attributable to the legalization of recreational cannabis on July 1, 2017. The results from the prior periods in 2017 represent medical cannabis sales only. The Company also experienced revenue growth across all of its cannabis product categories (Flower sales, Concentrates, Edibles, Topicals and Trials) for the year ended December 31, 2017 when compared to the prior year. Details of gross revenue, excluding discounts, by product category are as follows:

Expressed in United States Dollars

	Three Months Ended 30-Jun-18	Three Months Ended 30-Jun-17	Percentage Change	Six Months Ended 30-Jun-18	Six Months Ended 30-Jun-17	Percentage Change
Flowers	$3,239,507	$1,974,113	64.1%	$6,135,032	$3,518,654	74.4%
Concentrates	1,604,604	433,429	270.2%	2,801,891	772,464	262.7%
Edibles	454,925	73,042	522.8%	813,028	130,421	523.4%
Topicals	26,551	8,720	204.5%	48,376	15,532	211.5%
Trials Revenue	549	1,983	(72.3%)	2,034	3,318	(38.7%)
Total Cannabis Sales	5,326,136	2,491,287	113.8%	9,800,361	4,440,389	120.7%
Other non-Cannabis sales	69,080	18,940	264.7%	149,422	39,710	276.3%
Discounts/Loyalty Program Accrual	(969,019)	(1,048,445)	(7.6%)	(1,923,104)	(1,883,884)	2.1%
Net Revenue	$4,426,197	$1,461,782	202.8%	$8,026,679	$2,596,215	209.2%

Overall net revenue during the three months ended June 30, 2018 increased 202.8% or by $2,964,415 over the three months ended June 30, 2017 and increased 209.2% or by $5,430,464 in the six-month period ended June 30, 2018 when compared to the six-month period ended June 30, 2017. The increase is mainly attributable to the commencement of the sale of adult recreational cannabis products starting on July 1, 2017.

Cost of goods sold, excluding the net effect of the revaluation of biological assets and inventory, increased by 17.4% during the three months ended June 30, 2018 and by 250.6% in the six-months ended June 30, 2018 when compared to the six-months ended June 30, 2017. The biggest component of the increase during both the three and six-month periods being attributable to the purchase of finished goods for resale as the Company relied on third party suppliers in order to meet customer demands for product and to support overall revenue growth The gain on biological asset transformation equalled $1,058,531 and $774,970 for three months ended June 30, 2018 and 2017, respectively, an increase of $283,561, or 36.6%, and $3,189,227 and $2,375,657 for the six months ended June 30, 2018 and 2017, respectively, an increase of $813,570, or 34.2%. The increase for both periods was primarily due to a combination of a greater number of cannabis plants in cultivation during the year versus the prior year as well as the growth stage of the individual cannabis plants at each period end.

Overall gross profit for the three months ended June 30, 2018 increased by 69.1% or $972,498 when compared to the gross profit for the three months ended June 30, 2017. For the six-month period ended June 30, 2018 overall gross profit increased 13.6%, or $479,423 when compared to the six-months ended June 30, 2017. The Gross Profit margin for the three months ended June 30, 2018 was 54% compared to 96% for the three months ended June 30, 2017. Gross Profit margin for the six-month period ended June 30, 2018 was 50% compared to a Gross Profit margin of 136% for the six-months ended June 30, 2017. Gross Profit margins for the six-months ended June 30, 2017 were positively impacted by the large gains in fair market value of biological assets and inventory during the ramp up to the July 1, 2017 commencement of the adult use recreational cannabis market.

Operating expenses, excluding non-cash share-based compensation expenses, include General and administrative expenses, marketing and promotion costs and depreciation expense. Total Operating expenses, excluding non-cash compensation expenses, increased by 292.3% for the three months ended June 30, 2018 when compared to the three months ended June 30, 2017 and increased 280.2% during the six-month period ended June 30, 2018 when compared to the six-month period ended June 30, 2017. The large increase in both the three month and six-month periods can be attributable to the increases in activity at the Company during the periods when compared to the prior year as the Company expanded its operations and employed additional staff and moved to a 24-hour/7-day retail operation when compared to the activity during the prior periods as well as certain costs, including rent expense, related to the anticipated opening of the Planet 13 Superstore in November 2018. A detailed breakdown of General and administrative expenses is as follows:

Expressed in United States Dollars

	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017	2018	2017
Salaries and wages	$ 1,146,844	$ 248,387	$ 1,548,319	$ 432,692
Executive compensation	92,269	69,912	152,269	118,500
Payroll taxes and benefits	239,702	39,116	309,957	73,498
Office expenses	47,736	13,920	60,604	32,061
Professional fees	161,167	30,782	235,386	72,062
Investor relations	61,452	-	61,452	-
Regulatory and filing fees	3,069	-	3,069	-
All other general and administrative expenses	(107,685)	187,618	384,443	292,975
	$ 1,644,556	$ 589,735	$ 2,755,501	$ 1,021,788

Also included in operating expenses is non-cash, share based compensation. This amount totalled $1,596,834 and represents the fair market value of employee incentive options and Restricted Share Units (RSU's) that were granted to Employees, Officers and Directors on the closing of the RTO on June 11, 2018. These amounts are non-cash and the expense is recognized in accordance with the vesting schedule of the underlying stock options and RSUs. (See Note 12 in the Company's Q2, 2018 unaudited condensed consolidated financial statements for the three and six months ended June 30, 2018 for additional details on the assumptions used to calculate fair value as well as information regarding the vesting of the various components of the non-cash share-based compensation).

Interest expenses incurred during the three and six-month periods ended June 30, 2018 relate to interest incurred on long-term debt. Overall interest expense decreased 52.4% during the three months and 50.9% during the six-months ended June 30, 2018 when compared to the prior periods. The decrease is directly related to the decrease in long-term debt in the amount of $6,531,453 as a result of shareholders converting their notes to equity during the period. The balance of long-term debt as at June 30, 2018 was $935,351 compared to a balance of $7,466,804 as at December 31, 2017.

The Company conducts its operations in both the United States and Canada holding financial assets in both currencies and incurs expenses in both US Dollars and Canadian Dollars. On June 11, 2018 the exchange rate was US$1.00= CAD$1.2993. The value of the US Dollar appreciated to US$1.00= CAD$1.3168 resulting in the Company experiencing a foreign exchange loss on its financial assets (mainly cash held in CAD$) of $266,521. It is the Company's policy to not hedge its CAD$ exposure.

On January 1, 2018, the holders of the notes converted an aggregate of $3,334,304 of principal into 75 million shares of common stock of MMDC that were then exchange for 25,300,000 common shares of P13 and 49,700,000 Class A restricted shares of P13 on closing of the RTO. In addition, on closing of the RTO on June 11, 2018, the holders of the notes converted the remaining amounts of principal and accrued interest due them into 5,532,940 shares of Class A restricted shares of the Company. The shares issued on the conversion of the notes had a deemed value of CAD$1.00 per share. The ascribed value of the Class A restricted shares issued was $4,258,401 and the book value of the debt settled was $3,409,476 leading the Company to record a non-cash loss on the settlement of debt of $848,925. This loss is one-time in nature and the Company does not have any additional convertible debt instruments outstanding.

During the three and six-month periods ended June 30, 2018 the Company incurred additional one-time costs associated with its RTO transaction, equity financing and listing on the Canadian Securities exchange. Any costs that were directly related to the equity financing have been treated as share issuance costs and appear on the Company's statement of changes in equity for the period. Any costs associated with the RTO and listing have been expensed and are included in the RTO costs that totalled $532,367. These expenses are one time in nature and are a direct result of the RTO.

Expressed in United States Dollars

Income tax expense for the three months ended June 30, 2018 was $514,093 compared to a tax provision of $478,255 for the three months ended June 30, 2017. The increase in the tax provision was a result of an increase in profitability during the period. The Company booked an income tax provision of $854,728 for the six-month period ended June 30, 2018 compared to an income tax provision of $1,197,406 for the six-month period ended June 30, 2017. The tax provision decreased despite an increase in revenue and profitability during the period due to more costs being incurred in areas of the operation where expenses are deductible for tax purposes when compared to the six-month period ended June 30, 2017. The Company is subject to US Federal tax legislation that denies the deduction of certain expenditures for tax purposes that would otherwise be available to non-cannabis-based businesses that results in the Company being subject to a higher overall tax rate on net income. Refer to Note 15 in the Company's audited annual financial statements for the year ended December 31, 2017 for additional details.

Overall net income (loss) after tax for the three months ended June 30, 2018 was ($3,403,305) compared to $22,209 for the three months ended June 30, 2017. For the six months ended June 30, 2018 overall net income (loss) was ($3,489,171) compared to $711,208 for the six-month period ended June 30, 2017.

SUMMARY OF QUARTERLY RESULTS

Three months ended	Jun-30-2018	Mar-31-2018	Dec-31-2017	Sep-30-2017	Jun-30-2017	Mar-31-2017	Dec-31-2016	Sep-30-2016
US$	$	$	$	$	$	$	$	$
Total revenue	4,426,197	3,600,482	3,382,717	3,025,048	1,461,779	1,134,434	840,009	499,860
Net income (loss)	(3,403,305)	(85,868)	340,621	280,348	11,087	189,485	(660,597)	(424,386)
Comprehensive Net Income (loss)	(3,403,305)	(85,868)	340,621	280,348	11,087	189,485	(660,597)	(424,386)
Net Income (loss) per share	(0.04)	(0.00)	n/a	n/a	n/a	n/a	n/a	n/a
Total assets	26,942,786	9,081,603	8,558,870	7,546,186	7,463,866	6,836,301	5,062,394	5,177,915
Total liabilities	5,957,754	8,314,441	11,040,144	11,680,362	11,760,007	10,986,251	8,365,209	8,538,183
Working capital (deficiency)	17,236,373	1,344,989	1,197,763	2,178,498	2,218,708	1,670,162	(536,659)	254,038
Dividends declared	-	-	-	-	-	-	-	-

Selected Annual Information	Dec-31-2017	Dec-31-2016
	$	$
Total assets	8,558,870	5,062,394
Total liabilities	$11,040,144	$8,365,209
Net income (loss) for the period	$821,541	($2,271,662)
Comprehensive income (loss)	$821,541	($2,271,662)
Net income (loss) per share	n/a	n/a

OUTSTANDING SHARES

As at the date of this report, the Company had 62,008,400 common voting shares and 55,232,940 class A common non-voting shares issued and outstanding for a total of 117,241,340 shares outstanding. There were 820,000 options issued and outstanding of which 258,750 have fully vested. There were 17,214,795 warrants outstanding and 5,638,358 RSU's outstanding of which 1,879,453 RSUs had fully vested as at June 30, 2018 and at the date of this report.

FINANCIAL POSITION AND LIQUIDITY

As at December 31, 2017 the Company's financial instruments consist of cash and cash equivalents, short-term investments, accounts payable and accrued liabilities, and shareholder loans. The Company has no speculative financial instruments, derivatives, forward contracts or hedges.

As at June 30, 2018 the Company had working capital of $17,236,373 compared to a working capital of $1,197,763 as at 31 December 2017.

The following discussion relates to the six months ended June 30, 2018 and compares that to the six months ended June 30, 2017.

Cash provided by (used in) operating activities during the six months ended June 30, 2018 totalled $304,591 (Comparative period: ($58,395)).

Cash used by investing activities during the six months ended June 30, 2018 totalled ($1,201,858) (Comparative period: ($69,613)).

Cash provided by (used in) in financing activities during the six months ended June 30, 2018 totalled $17,722,335 (Comparative period: ($114,062)).

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Financial instrument classification and measurement

Financial instruments of the Company carried on the annual audited consolidated statement of financial position are carried at amortized cost with the exception of cash and cash equivalents, which is carried at fair value. There are no significant differences between the carrying value of financial instruments and their estimated fair values as at June 30, 2018 and December 31, 2017 due to the immediate or short-term maturities of the financial instruments.

b) Fair values of financial assets and liabilities

The Company's financial instruments include cash and cash equivalents, short-term investments, accounts payable and accrued liabilities. At June 30, 2018, the carrying value of cash and cash equivalent investments is fair value. Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method. Transaction costs are included in the amount initially recognized. Accounts payable and other liabilities, notes payable, and notes payable related parties have been classified as other financial liabilities

c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. It is management's opinion that the Company is not exposed to significant credit risk arising from these financial instruments. The Company limits credit risk by entering into business arrangements with high credit-quality counterparties. Thus, the credit risk associated with other receivables is also considered to be negligible.

d) Interest rate risk

Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company is not exposed to significant interest rate risk.

e) Currency risk

The Company operates primarily in the state of Nevada, although it may, in future periods, operate in other jurisdictions. The Company holds financial assets, incurs certain expenditures and obtains financing in US dollars and earns revenue in US dollars. The Company also has operations in Toronto, Ontario, Canada and holds financial assets and incurs certain expenditures and obligations in Canadian dollars and is exposed to fluctuations in the movement in the relative valuation between the two currencies.

The carrying amount of foreign currency financial assets and liabilities in US dollars as at June 30, 2018 is as follows:

Expressed in United States Dollars

US Dollar amounts of foreign currency assets and liabilities

	Assets	Liabilities
Canadian Dollars	$15,064,249	$162,876

Based on the financial instruments held as at June 30, 2018, the Company's deficit would have changed by $1,369,477 had the US dollar shifted by 10% as a result of foreign exchange effect on translation of non-US dollar denominated financial instruments.

f) Liquidity risk

Prudent liquidity risk management implies maintaining at all times sufficient cash and liquid investments to meet the Company's commitments as they arise. The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows. Where insufficient liquidity may exist, the Company may pursue various debt and equity instruments for short or long-term financing of its operations.

As at June 30, 2018, the Company had working capital of $17,236,373 (December 31, 2017 working capital of $1,194,763) and anticipates that revenue from operations will provide sufficient funds to cover all the Company's operating expenditures for the next 12 months. Planned expansion of the Company's cultivation facilities, its production and manufacturing facilities and its retail distribution facilities will require it to raise additional capital from outside sources. The Company will consider financing alternatives while contemplating minimal shareholder dilution.

The Company's potential sources of cash flow in the upcoming year will be from the proceeds of the sale of cannabis and cannabis related products and possible equity financings, loans, lease financing and entering into joint venture agreements; or any combination thereof.

g) Pricing risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. See Note 8 in the Company's unaudited consolidated condensed interim financial statements for the three and six month ended June 30, 2018 for the Company's assessment of certain changes in the fair value assumption used in the calculation of biological asset values.

h) Concentration risk

The Company operates exclusively in Southern Nevada. Should economic conditions deteriorate within that region, its results of operations and financial position would be negatively impacted.

CAPITAL RESOURCES

The Company has a recent history of profitable operations. However, it will be necessary for the Company to arrange for additional financing to meet its on-going growth initiatives.

Management believes it will be able to raise equity capital as required in the long term, but recognizes the risks attached thereto. There can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing may be favourable.

CAPITAL MANAGEMENT

The Company's capital consists of members' equity and shareholder loans. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing and incurring debt. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate sources of capital to complete its capital expansion plans and ultimately the development of its business and will need to raise adequate capital by obtaining equity financing and/or incurring debt.

Expressed in United States Dollars

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at June 30, 2018 and as at the date hereof.

RELATED PARTY TRANSACTIONS

Related party transactions are summarized as follows:

The following is a summary of the Company's related party transactions during the period:

(a) Notes Payable Related Party

The Company has funded a significant portion of its operating expenses and capital asset acquisitions through revolving loans from the Company's shareholders (Note 10). The following table reflects the changes in amounts due under such revolving loans for the six months ended June 30, 2018:

Balance as at December 31, 2017	$ 6,526,732
Advances	-
Repayments	-
Conversion of notes payable to equity	(3,334,304)
Conversion of notes payable to intercompany	(3,409,476)
Accrued interest	217,048
Balance at June 30, 2018	$ -

On January 1, 2018, the members converted $3,334,304 of the above notes to equity. On June 11, 2018, the remaining balance of the notes were converted into shares of the Company.

b) Building Lease

The Company leases approximately 15,000 square feet of office and production space for the Company's Clark County Cultivation facility from a limited partnership controlled by one of the Company's members. Rents paid under this lease for the six months ended June 30, 2018 and 2017 equalled $64,942 and $47,844, respectively.

(c) Officer Compensation

The Company's officers were paid an aggregate of $259,838 and $209,744 in salary and related employee benefits for the six months ended June 30, 2018 and 2017, respectively. The Company's Co-CEO's have agreed to defer a portion of their agreed-upon salaries since inception. At June 30, 2018, total deferred compensation due to such officers was $241,245. The following table summarizes amounts paid to related parties as compensation for the six-month periods ended June 30, 2018 and 2017:

Expressed in United States Dollars

Name and principal position	Year	Remuneration or fees [1]	Share based payments [1]	Included in accounts payable [1]
Larry Scheffler, Co-CEO	**2018**	**$158,549**	**$256,548**	**-**
	2017	**$87,500**	**-**	**$87,500**
Robert Groesbeck, Co- CEO	**2018**	**$160,400**	**$256,548**	**-**
	2017	**$120,000**	**-**	**$32,500**
Dennis Logan, CFO	**2018**	**$7,594**	**$95,179**	**$7,594**
	2017	**-**	**-**	**-**
William Vargas, VP Finance	**2018**	**$22,000**	**$95,179**	**$3,000**
	2017	**-**	**-**	**-**
Tanya Lupien, VP Sales and Marketing	**2018**	**$79,264**	**$127,248**	**-**
	2017	**95,783**	**-**	**-**
Chris Wren, VP Operations	**2018**	**$101,264**	**$185,500**	**-**
	2017	**$105,689**	**-**	**-**
Leighton Koehler, General Counsel	**2018**	**$9,251**	**$66,667**	**-**
	2017	**-**	**-**	**-**
Greg Wilson, Director	**2018**	**-**	**$82,362**	**-**
	2017	**-**	**-**	**-**
Michael Harman, Director	**2018**	**-**	**$82,362**	**-**
	2017	**-**	**-**	**-**
Marc Lustig, Director	**2018**	**-**	**$82,362**	**-**
	2017	**-**	**-**	**-**

[1] Amounts disclosed were paid or accrued to the related party during the six months ended June 30, 2018 and 2017.

(d) Other

The Company sub-lets approximately 2,000 square feet of office space and purchases certain printed marketing collateral and stationery items from a company owned by one of its executives. Amounts paid to such company for rent for the six months ended June 30, 2018 equalled $16,818 for rent and amounts paid for printed marketing collateral and stationery items equalled $90,593.

SEGMENTED INFORMATION

The Company operates in a single reportable operating segment – the cultivation of marijuana, the manufacture and production of cannabis and related products and the retail distribution and sale of cannabis and cannabis related products.

As at June 30, 2018 and December 31, 2017, all the Company's operating assets were located in the state of Nevada.

MANAGEMENT

The Company is dependent upon the personal efforts and commitments of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

New Accounting Standards and Interpretations Not Yet Adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board ("IASB") or IFRS Interpretation Committee ("IFRIC") that are mandatory at certain dates or later for the relevant reporting periods and which the Company has not early adopted. The Company has assessed the impact the application of these standards or amendments will have on the condensed consolidated interim financial statements of the Company. The standards impacted that may be applicable to the Company are the following:

At the date of authorization of these condensed consolidated interim financial statements, the IASB and IFRIC had issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted. The Company has assessed the impact the application of these standards or amendments will have on the condensed consolidated interim financial statements of the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in November 2013 and July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted. No implementation date has been set.

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15"). In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied in an entity's first annual IFRS financial statements for periods beginning on or after January 1, 2018. Application of the standard is mandatory and early adoption is permitted.

IFRS 16 Leases ("IFRS 16"), was issued in January 2016 and it replaces IAS 17 Leases. IFRS 16 requires entities to recognize lease assets and lease obligations on the balance sheet. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead leases are "capitalized" by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognizes a financial liability representing its obligations to make future lease payments. IFRS 16 is effective for fiscal periods beginning on or after January 1, 2019.

RISK FACTORS

The Company operates in the US medical and recreational adult-use cannabis market, and more specifically in the state of Nevada, and may face many and varied kinds of risks. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practical. Following are the risk factors most applicable to the Company:

- The production and sale of recreational cannabis remain illegal under federal law, it is possible that the Company may be forced to cease activities. The U.S. federal government, through both the Drug Enforcement Agency ("**DEA**") and Internal Revenue Service ("**IRS**"), has the right to actively investigate, audit and shut-down marijuana growing facilities, processors and retailers. The U.S. federal government may also attempt to seize the Resulting Issuer's property. Any action taken by the DEA and/or the IRS to interfere with, seize, or shut down the Company's operations will have an adverse effect on the Company's business, operating results and financial condition.

- Some of the Company's planned business activities, while believed to be compliant with certain applicable U.S. state and local law, are illegal under United States federal law. Although certain states and territories of the U.S. authorize medical or recreational adult-use cannabis production and distribution by licensed or registered entities under applicable state laws, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law under any and all circumstances under the U.S. Controlled Substances Act ("CSA"). A shareholder's contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment.

- Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including but not limited to disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of marijuana licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

- The possession and use of cannabis and any related drug paraphernalia is illegal under U.S. federal law, the Company may be deemed to be aiding and abetting illegal activities through the contracts it has entered into and the products that it intends to provide and sell. The Company intends to continue to cultivate cannabis, process and sell cannabis products, operate dispensaries, lease IP and/or real property in Nevada. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of cannabis and any related drug paraphernalia, may seek to bring an action or actions against the Company, including, but not limited to, aiding and abetting another's criminal activities. The Federal aiding and abetting statute provides that anyone who "commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." Because of such an action, the Company may be forced to cease operations and members could lose their entire investment. Such an action would have a material negative effect on the business and operations of the Company.

- Nevada's regulatory system is relatively new and constantly evolving, so there are uncertainties as to how authorities in the state of Nevada will interpret and administer applicable regulatory requirements. Any determination that the Company fails to comply with state cannabis regulations would require the Company either to significantly change or terminate lines of business, or the business as a whole, which could adversely affect the

Company's business.

- Regulatory risks are inherent to the Company. The activities of the Company are subject to regulation by governmental authorities. The Company's business objectives are contingent upon, in part, compliance with regulatory requirements enacted by US Federal and the state of Nevada governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products in each jurisdiction in which it operates. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by relevant governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company. Furthermore, although the operations of the Company are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the Company's ability to import, distribute or, in the future, produce cannabis. Amendments to current laws and regulations governing the importation, distribution, transportation and/or production of cannabis, or more stringent implementation thereof could have a substantial adverse impact on the Company.

- Regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital. The Company's business activities are expected to rely on newly established and/or developing laws and regulations in Nevada. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the U.S. Food and Drug Administration, Securities and Exchange Commission, the Department of Justice ("DOJ"), the Financial Industry Regulatory Advisory or other federal, Nevada or other applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the Company's industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its business or the ability to raise additional capital, which could reduce, delay or eliminate any return on investment in the Company.

- The size of the Company's target market is difficult to quantify, and members will be reliant on their own estimates on the accuracy of market data. Because the cannabis industry is in an early stage with uncertain boundaries, there is a lack of information about comparable companies available for members and potential members to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, members and potential members will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results. The Company regularly purchases and follows market research.

- The Company may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Company to operate. In February 2014, the Financial Crimes Enforcement Network ("FinCEN") bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the United States and may have to operate the Company's U.S. business on an all-cash basis. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned. The Company is actively pursuing alternatives that ensure its operations will continue to be compliant with the FinCEN guidance and existing disclosures around cash management and reporting to the IRS once it moves from development into production.

- U.S. Federal trademark and patent protection may not be available for the intellectual property of the Company due to the current classification of cannabis as a Schedule I controlled substance. As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Company. As a result, the Company's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Company can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level.

- The Company's contracts may not be legally enforceable in the United States. Because the Company's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in U.S. federal and certain state courts.

- There is uncertainty surrounding the Trump Administration and Attorney General Jeff Sessions and their influence and policies in opposition to the cannabis industry as a whole. As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis business in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, authored the Cole Memorandum (the "Memorandum"). The Memorandum was addressed to all United States district attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several US states have enacted laws relating to cannabis for medical purposes. The Memorandum outlined certain priorities for the DOJ relating to the prosecution of cannabis offenses. In particular, the Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the DOJ has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Memorandum standard. In light of limited investigative and prosecutorial resources, the Memorandum concluded that the DOJ should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority. On January 4, 2018, US Attorney General Jeff Sessions issued a memorandum to US district attorneys which rescinded the Memorandum. With the Memorandum rescinded, US federal prosecutors can exercise their discretion in determining whether to prosecute compliant state law cannabis-related operations as violations of U.S. federal law throughout the United States. The potential impact of the decision to rescind the Memorandum is unknown and may have a material adverse effect on the Company's business and results of operations.

- The Company's business interests in the United States include the cultivation and provision of cannabis and cannabis-infused and related products. The Company is not aware of any non-compliance with the applicable licensing requirements or regulatory framework enacted by the state of Nevada where the Company's customers or partners are operating. In February 2017, the Task Force on Crime Reduction and Public Safety was established through an executive order by the President of the United States. Names of those serving on the task force have not been published, and the group was supposed to deliver its recommendations by July 27, 2017. The recommendations of the group were not made public on that date, but the Attorney General issued a public statement which said he had received recommendations "on a rolling basis" and he had already "been acting on the task force's recommendations to set the policy of the department." Based on previous public statements made by the Attorney General, there had been some expectation that the task force may make some recommendations with respect to laws relating to cannabis. However, to date there has been no public announcement in this regard from the Attorney General. Due to the classification of cannabis as a Schedule I controlled substance under the CSA, banks and other financial institutions which service the cannabis industry are at risk of violating certain financial laws, including anti-money laundering statutes. Because the manufacture, distribution, and dispensation of cannabis remains illegal under the CSA, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the U.S. Bank Secrecy Act. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a "specified unlawful activity" such as distributing controlled substances which are illegal under federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA. The Company may also be exposed to the foregoing risks.

- In the event that any of the Company's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends in the foreseeable future, in the event that a determination was made that any such investments in the United States could reasonably be shown to constitute proceeds of crime, the Company may decide to, or be required to, suspend declaring or paying dividends without advance notice and for an indefinite period of time.

- Third party service providers to the Company may withdraw or suspend their service under threat of prosecution. Since under U.S. federal law the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts under federal law, companies that provide goods and/or services to companies engaged in cannabis- related activities may, under threat of federal civil and/or criminal prosecution, suspend or withdraw their services. Any suspension of service and inability to procure goods or services from an alternative source, even on a temporary basis, that causes interruptions in the Company's operations could have a material and adverse effect on the Company's business.

- FDA regulation of medical-use cannabis and the possible registration of facilities where medical- use cannabis is grown could negatively affect the medical-use cannabis industry, which would directly affect our financial condition. Should the federal government legalize cannabis for medical-use, it is possible that the U.S. Food and Drug Administration (the "FDA"), would seek to regulate it under the Food, Drug and Cosmetics Act of 1938. Additionally, the FDA may issue rules and regulations including certified good manufacturing practices, related to the growth, cultivation, harvesting and processing of medical cannabis. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where medical-use cannabis is grown register with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, it is unknown what the impact would be on the medical-use cannabis industry, including what costs, requirements and possible prohibitions may be enforced. If the Company is unable to comply with the regulations or registration as prescribed by the FDA it may have an adverse effect on the Company's business, operating results and financial condition.

- The Company is likely subject to Section 280E of the Internal Revenue Code of 1986 because of our business activities and the resulting disallowance of tax deductions could cause us to incur more than anticipated U.S. federal income tax. Section 280E of the Internal Revenue Code of 1986 (the "Code") provides that, with respect to any taxpayer, no deduction or credit is allowed for expenses incurred during a taxable year "in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of Schedule I and II of the CSA) which is prohibited by federal law or the law of any state in which such trade or business is conducted." Because cannabis is a Schedule I controlled substance under the CSA, Section 280E by its terms applies to the purchase and sale of cannabis products and the Company is likely subject to Section 280E. If the Internal Revenue Service (the "IRS") were to take the position that the Company is primarily or vicariously liable under federal law for "trafficking" a Schedule 1 substance (cannabis) under section 280E of the Code or for any other violations of the CSA, the IRS may seek to apply the provisions of Section 280E to the Company and disallow certain ordinary tax deductions. If such tax deductions are disallowed it may increase the Company's effective tax rate and have an adverse effect on the Company's operating results and financial condition.

- The approach to the settlement of trades in Canada through CDS of issuers with cannabis-related activities in the United States may be subject to change or may not proceed as previously outlined. On February 8, 2018, CDS announced the signing of a Memorandum of Understanding ("MoU") with recognized Canadian equities exchanges outlining the parties' understanding of Canada's regulatory framework applicable to the rules and procedures and regulatory oversight of the exchanges and CDS. The MoU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. Accordingly, CDS will not ban the clearing of securities of issuers with marijuana-related activities in the United States. Although CDS will not implement policies that would result in the refusal to settle trades for cannabis issuers that have investments in the United States, individual stock exchanges in Canada retain the ability under certain circumstances, when applying listing requirements and rules related to issuers' compliance with applicable laws, to halt or delist an issuers' listed securities. The Company's ability to raise additional public and private capital may be at risk if it proceeds with the proposed revers-take-over transaction with Carpincho Capital Corporation and obtains a listing for its shares on any Canadian exchange, as contemplated in the transaction.

APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this Annual Management Discussion and Analysis on August 28, 2018.

A Cautionary Note

This document contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Corporation, its subsidiaries and its projects, the future supply, demand, inventory, production and price of minerals, the estimation of reserves and resources, the realization of reserve estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters.

Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; actual results of reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of resources; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the resource industry; political instability, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Respectfully submitted on behalf of the Board of Directors,

"Robert Groesbeck"

President & Co-CEO