



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

Expressed in United States Dollars

NOTICE OF NO AUDITOR REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of the company have been prepared by and are the responsibility of the Company's management. The Company's independent auditors have not performed a review of these condensed interim consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Planet 13 Holdings Inc.:

Management is responsible for the preparation and presentation of the accompanying condensed interim consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the condensed interim consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of condensed interim consolidated financial statements.

The Board of Directors and the Audit Committee are composed primarily of directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information presented. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditors. The Audit Committee has the responsibility of meeting with management and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Company's external auditors.

The condensed interim consolidated financial statements were approved by the Board of Directors on May 30, 2019 and were signed on behalf of Management by:

"Larry Scheffler"
Larry Scheffler, Co-CEO

"Robert Groesbeck"
Robert Groesbeck, Co-CEO

"Dennis Logan"
Dennis Logan, CFO

PLANET 13 HOLDINGS INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Expressed in United States Dollars (unaudited)

	As at March 31, 2019	As at December 31, 2018
Assets		
Current Assets		
Cash	\$ 20,161,253	\$ 19,364,086
HST receivable	117,333	101,831
Inventories (Note 5)	5,198,723	5,322,111
Biological assets (Note 6)	876,554	915,177
Prepaid expenses and other current assets (Note 9)	1,782,527	1,391,278
Total Current Assets	28,136,390	27,094,483
Property and equipment (Note 7)	18,782,929	17,256,484
Right of use assets (Note 8)	7,952,019	-
Long-term deposits and other assets	639,339	594,339
	27,374,287	17,850,823
Total Assets	\$ 55,510,677	\$ 44,945,306
Liabilities		
Current Liabilities		
Accounts payable	\$ 2,400,103	\$ 1,720,721
Accrued expenses	1,806,234	1,306,145
Income taxes payable	3,506,231	2,187,109
Notes payable - current portion (Note 10)	884,000	884,000
Current portion of lease liabilities (Note 11)	-	14,459
Total Current Liabilities	8,596,568	6,112,434
Long-term lease liabilities (Note 11)	8,342,138	29,768
Deferred rent (Note 12)	-	427,508
Deferred tax liability (Note 15)	717,353	470,856
	9,059,491	928,132
Total Liabilities	17,656,059	7,040,566
Shareholders' Equity		
Share capital (Note 13)	44,774,892	42,460,824
Restricted share units (Note 13)	1,807,341	2,800,335
Warrants (Note 13)	6,747,387	7,046,843
Option reserve (Note 13)	384,289	305,890
Accumulated other comprehensive income (loss)	(529,715)	(802,920)
Deficit	(15,329,576)	(13,906,232)
Total Shareholders' Equity	37,854,618	37,904,740
Total Liabilities and Shareholders' Equity	\$ 55,510,677	\$ 44,945,306

See accompanying notes

Nature of operations (Note 1)

Restatement (Note 3 (f))

The consolidated financial statements were approved by the Board of Directors and were signed on its behalf by:

“Michael Harman”

Michael Harman, Director

“Marc Lustig”

Marc Lustig, Director

PLANET 13 HOLDINGS INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

<i>Expressed in United States Dollars (unaudited)</i>	Three months Ended March 31, 2019	As Restated (Note 3 (f)) Three months Ended March 31, 2018
Revenue		
Revenues, net of discounts	\$ 13,836,063	\$ 3,587,542
Cost of Goods Sold (Note 6)	(6,393,446)	(1,948,174)
Gross Profit before fair value asset adjustment	7,442,617	1,639,368
Realized fair value amounts included in inventory sold	(346,062)	(587,834)
Unrealized fair value gain on growth of biological assets	358,771	656,208
Gross Profit	7,455,326	1,707,742
Expenses		
General and Administrative (Note 14)	4,540,220	1,110,973
Sales and Marketing	1,402,129	105,546
Depreciation and Amortization	597,089	32,363
Share-Based Compensation Expense	572,352	-
Total Expenses	7,111,790	1,248,882
Income (Loss) From Operations	343,536	458,860
Other Expense:		
Interest expense, net	215,699	118,452
Realized foreign exchange loss	2,725	-
Other (income) expense	(17,163)	(12,968)
Total Other Expense	201,261	105,484
Income (Loss) before income taxes	142,275	353,376
Provision for tax - current (Note 15)	1,319,122	320,594
Provision for tax - deferred (Note 15)	246,497	20,041
Net income (loss) for the period	\$ (1,423,344)	\$ 12,741
Other Comprehensive Income (Loss)		
Foreign exchange translation gain (loss)	273,205	-
Net Comprehensive Income (Loss) for the Period	\$ (1,150,139)	\$ 12,741
Loss per share for the period		
Basic and diluted loss per share (Note 16)	(\$0.01)	\$0.00
Weighted Average Number of Common Shares Outstanding Basic and Diluted (Note 16)	129,467,108	75,000,000

PLANET 13 HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Expressed in United States Dollars (unaudited)

	Number of shares outstanding	Share Capital	Class A Restricted shares	Restricted Share Units	Warrants	Option Reserve	Accumulated Other Comprehensive Income (Loss)	Accumulated (Deficit)	Total Equity
Balance at January 1, 2018	-	-	-	-	-	-	-	\$ (3,182,528)	\$ (3,182,528)
Conversion of debt to Common shares	25,300,000	1,124,661	-	-	-	-	-	-	1,124,661
Conversion of debt for Class A shares	49,700,000	-	2,209,643	-	-	-	-	-	2,209,643
Net income (loss) for the period	-	-	-	-	-	-	-	12,741	12,741
Balance March 31, 2018 as restated (Note 3(f))	75,000,000	1,124,661	2,209,643	-	-	-	-	(3,169,787)	164,517
Shares issued on private placement	31,458,400	15,992,924	-	-	-	-	-	-	15,992,924
Shares issued on prospectus offering	8,735,250	15,595,473	-	-	-	-	-	-	15,595,473
Warrants issued on private placement	-	-	-	-	4,212,768	-	-	-	4,212,768
Warrants issued on prospectus offering	-	-	-	-	4,579,857	-	-	-	4,579,857
Shares issued to former Carpincho shareholders on RTO closing	5,250,000	4,040,637	-	-	-	-	-	-	4,040,637
Class A shares issued on conversion of debt	5,532,940	-	3,409,476	-	-	-	-	-	3,409,476
Shares issued on exercise of warrants	2,580,810	3,307,081	-	-	(932,828)	-	-	-	2,374,253
Share issuance costs on private placement	-	(1,943,556)	-	-	(365,897)	-	-	-	(2,309,453)
Share issuance costs prospectus offering	-	(1,275,515)	-	-	(447,057)	-	-	-	(1,722,572)
Share based compensation - RSUs	-	-	-	2,800,335	-	-	-	-	2,800,335
Share based compensation - options	-	-	-	-	-	305,890	-	-	305,890
Cumulative foreign exchange gain (loss)	-	-	-	-	-	-	(802,920)	-	(802,920)
Net income (loss) for the period	-	-	-	-	-	-	-	(10,736,445)	(10,736,445)
Balance December 31, 2018	128,557,400	36,841,705	5,619,119	2,800,335	7,046,843	305,890	(802,920)	(13,906,232)	37,904,740
Balance at January 1, 2019	128,557,400	\$ 36,841,705	\$ 5,619,119	\$ 2,800,335	\$ 7,046,843	\$ 305,890	\$ (802,920)	\$ (13,906,232)	\$ 37,904,740
Shares issued on exercise of RSUs	1,922,786	1,478,260	-	(1,478,260)	-	-	-	-	-
Shares issued on exercise of warrants	732,358	818,097	-	-	(299,456)	-	-	-	518,641
Share issuance on exercise of options	15,002	17,711	-	-	-	(8,687)	-	-	9,024
Restricted share units vested	-	-	-	485,266	-	-	-	-	485,266
Issuance of share options	-	-	-	-	-	87,086	-	-	87,086
Cumulative foreign exchange gain (loss)	-	-	-	-	-	-	273,205	-	273,205
Net (loss) for the period	-	-	-	-	-	-	-	(1,423,344)	(1,423,344)
Balance March 31, 2019	131,227,546	\$ 39,155,773	\$ 5,619,119	\$ 1,807,341	\$ 6,747,387	\$ 384,289	\$ (529,715)	\$ (15,329,576)	\$ 37,854,618

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>Expressed in United States Dollars (unaudited)</i>	Three Months Ended March 31, 2019	As Restated (Note 3 (f)) Three Months Ended March 31, 2018
Operating activities		
Net income (loss) for the period	\$ (1,423,344)	\$ 12,741
Add (deduct) non-cash items:		
Share based payments (Note 13)	572,352	-
Depreciation and amortization (Note 7,8)	754,384	161,815
Deferred tax liability (Note 15)	246,497	20,041
Realized fair value amounts included in inventory sold	346,062	587,834
Unrealized fair value gain on growth of biological assets	(358,771)	(656,208)
Non-cash interest expense	215,699	89,029
Net change in non-cash working capital		
HST receivable	(15,502)	-
Inventories (Note 5)	(222,674)	(1,130,482)
Biological assets (Note 6)	397,394	1,010,051
Prepaid expenses and other assets (Note 9)	(391,249)	(487,046)
Long term deposits and other assets	(45,000)	-
Accounts payable	679,381	(163,151)
Accrued expenses	500,090	332,911
Income tax payable	1,319,122	320,594
Cash flow provided by (used in) operating activities	2,574,441	98,129
Investing activities		
Purchase of property, plant and equipment (Note 7)	(2,202,345)	(53,226)
Cash flow used in investing activities	(2,202,345)	(53,226)
Financing activities		
Issuance of shares on warrant exercise (Note 13)	527,665	-
Payment on lease liabilities (Note 11)	(375,799)	(3,536)
Cash flow provided by (used in) financing activities	151,866	(3,536)
Net increase (decrease) in cash	523,962	41,367
Cash at beginning of the period	19,364,086	451,869
Effect of foreign exchange on cash	273,205	-
Cash at end of the period	\$ 20,161,253	\$ 493,236

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>Expressed in United States Dollars (unaudited)</i>	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Supplemental Disclosure of Cash Flow		
Cash paid during the period for:		
Interest	\$ 215,699	\$ -
Income taxes	\$ -	\$ -
Non-cash activities		
Carrying value of warrants exercised	\$ 299,456	\$ -
Carrying value of RSUs exercised	\$ 1,478,260	\$ -
Carrying value of options exercised	\$ 17,711	\$ -
MMDC conversion of notes payable to equity	\$ -	\$ 3,334,304
Right of use assets	\$ 7,952,019	\$ -
Lease liabilities	\$ (8,342,138)	

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

Expressed in United States Dollars, unless otherwise indicated

1) Nature of Operations

Planet 13 Holdings Inc. (formerly Carpincho Capital Corp.) ("P13" or "the Company") was incorporated under the Canada Business Corporations Act on April 26, 2002. MM Development Company, Inc. ("MMDC") is a privately held corporation existing under the laws of the State of Nevada. MMDC, founded on March 20, 2014, is a vertically integrated cultivator and provider of cannabis and cannabis-infused products licensed under the laws of the State of Nevada, with two licenses for cultivation, two licenses for production, and two dispensary licenses (one medical license and one recreational license). On June 11, 2018, MMDC completed a reverse-takeover ("RTO") of Carpincho Capital Corp. Upon completion of the RTO, the shareholders of MMDC obtained control of the consolidated entity. Under the purchase method of accounting, MMDC was identified as the acquirer, and, accordingly, P13 is considered to be a continuation of MMDC, with the net assets of the Company at the date of the RTO deemed to have been acquired by MMDC (Note 6). The 2018 comparative figures in the unaudited condensed interim consolidated financial statements (or "consolidated financial statements") exclude any and all results of operations of Carpincho Capital Corp. and only reflect the results of operations of MMDC.

P13 is a public company which is listed on the Canadian Securities Exchange under the symbol "PLTH" and the OTCQB exchange under the symbol "PLNHF".

The Company's registered office is located at 82 Richmond Street East, Suite 400, Toronto, ON M5C 1P1 and the head office address is 2548 West Desert Inn. Rd, Las Vegas, NV 89109.

2) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and using the accounting policies, determination of significant estimates and judgements, and corresponding accounting treatment consistent with the Company's 2018 annual audited consolidated financial statements, except for new standards adopted during the three months ended March 31, 2019 as described below.

The consolidated financial statements should be read in conjunction with the Company's 2018 annual audited consolidated financial statements.

The unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 30, 2019.

3) Summary of significant accounting policies

(a) Basis of Measurement

These consolidated financial statements have been prepared on the going concern basis, under the historical cost convention except for certain financial instruments that are measured at fair value, and biological assets that are measured at fair value less costs to sell, as described herein.

(b) Principles of Consolidation

These unaudited condensed interim consolidated financial statements for the three months ended March 31, 2019 include the financial position, results of operations and cash flows of the Company and its subsidiaries. The Company's subsidiaries as at March 31, 2019 are as follows:

Subsidiary	Country of Incorporation	Economic Interest	Basis of Accounting
MM Development Company, Inc. ("MMDC")	USA	100%	Full consolidation
10653918 Canada Inc. ("Finco")	Canada	100%	Full consolidation
BLC Management Company LLC. ("BLC")	USA	100%	Full consolidation
LBC Company LLC. ("LBC")	USA	100%	Full consolidation

**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**

Expressed in United States Dollars, unless otherwise indicated

3) Summary of significant accounting policies (continued)

(b) Principles of Consolidation (continued)

Subsidiaries - Subsidiaries are entities over which the Company has control, whereby control is defined as the power to direct activities of an entity that significantly affect the entity's returns so as to obtain benefit from its activities. Control is presumed to exist where the Company has a shareholding of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date at which control ceases.

All material intercompany transactions between the Company and its subsidiaries are eliminated upon consolidation.

(c) Functional Currency

The Company's functional currency is the Canadian dollar ("CAD"). Management has chosen to present these consolidated financial statements in United States ("USD") dollars. The functional currency of the Company's subsidiaries is USD. All amounts are presented in USD values, unless otherwise stated.

Canadian currency transactions are translated into USD at exchange rates in effect on the date of the transaction. Monetary assets and liabilities denominated in Canadian dollars are translated to USD at the foreign exchange rate applicable at the end of each reporting period.

Realized and unrealized exchange gains and losses are recognized in the consolidated statements of changes in equity. Non-monetary assets and liabilities that are measured in terms of historical cost in CAD are translated using the exchange rate at the date of the transaction.

The assets and liabilities are translated into US dollars at period end exchange rates. Income and expenses, and cash flows are translated into USD using the average exchange rate. Exchange differences resulting from the translation of Canadian operations are recognized in other comprehensive income (loss) and accumulated in equity.

(d) Recent Accounting Pronouncements Adopted during the period

Beginning on January 1, 2019, the Company implemented IFRS 16 "Leases." As required by IAS 34 Interim Financial Reporting and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the nature and effect of these changes are described below.

(i) *IFRS 16 Leases*

In January 2016, the IASB issued IFRS 16 Leases, which will replace IAS 17 Leases and provides a new framework for lessee accounting that requires most right of use ("ROU") assets obtained through operating leases to be capitalized and a related liability to be recorded, representing the obligation to make lease payments. The adoption of IFRS 16 results in changes to property and equipment contracts which were previously classified as operating lease under IAS 17. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company applied the modified retrospective approach to remaining lease payments as of January 1, 2019 without restatement of comparative figures presented for 2018 as previously reported under IAS 17.

Upon the initial application as of January 1, 2019, right of use assets and lease liabilities were recorded, with no net impact on retained earnings. Right of use assets are depreciated over the shorter of the assets' useful life or the term of the applicable lease. For leases previously classified as operating leases under IAS 17, the lease liability has

**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**

Expressed in United States Dollars, unless otherwise indicated

3) Summary of significant accounting policies (continued)

been measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at the date of application. Additionally, the right-of-use asset has been measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognized in the statement of financial position immediately before the date of initial application.

For leases previously classified as finance leases under IAS 17, the lease liability and the right of use asset has been measured as the carrying amount of the lease asset and liability immediately before the date of initial application.

The following table summarizes the impact of the initial application on the statement of financial position:

	Balance at December 31, 2018	IFRS 16 Initial Application	Balance at March 31, 2019
ASSETS			
Property, plant & equipment	\$ 17,256,484	\$ (52,136)	\$ 17,204,348
Right of use assets	-	8,082,639	8,082,639
Total			
LIABILITIES			
Capital lease obligations - current	\$ 14,459	\$ (14,459)	\$ -
Capital lease obligations - long-term	29,768	(29,768)	-
Deferred rent	427,508	(427,508)	-
Lease liabilities	-	8,494,971	8,494,971

The Company has elected to apply the practical expedient to grandfather the assessment of which transaction are leases on the date of initial application as previously assessed under IAS 17 *Leases* and IFRIC 4 *Determining whether an arrangement contains a lease*. The Company has elected to account for all short-term leases and all leases for which the underlying asset is of low value as expenses on a straight-line basis over the term of the lease, and hence, did not recognize a lease liability and a right of use asset at the date of initial application. Short-term leases are leases with a lease term of 12 months or less. The lease expense for all short-term leases was \$5,009 for the three months ended March 31, 2019.

The Company's only significant debt obligation is a promissory note payable for land secured by a deed of trust. Further, due to the nature of the Company's business operations in the Cannabis industry and its illegality under United States Federal regulations, the Company is unable to borrow monies from U.S financial institutions. Consequently, when measuring lease liabilities, the Company discounted lease payments using a rate of 15.0%, which represents the assess incremental borrowing rate of the Company on the date of application. The Company has not included extension options in the measurement of lease terms for those specific leases for which it is not reasonably certain to exercise the related extension options. The Company determines the probability of exercising a renewal option when determining the lease term by considering whether there is an economic incentive to exercise the renewal option based on investments in major leaseholds and operational performance.

The following table reconciles the Company's operating lease commitments at December 31, 2018, as previously disclosed in the Company's financial statements, to the lease liabilities recognized on initial application of IFRS 16 at January 1, 2019:

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

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Operating lease commitments at December 31, 2018	\$ 9,153,300
Extension options reasonably certain to be exercised	22,758,094
Finance lease obligations recognized at December 31, 2018	44,227
Discounted using incremental borrowing rate	(23,460,650)
Lease liabilities as at January 1, 2019	\$ 8,494,971

The right of use asset is subsequently depreciated using the straight-line method from the application date to the earlier of the end of the useful life of the right of use asset or the end of the lease term.

Critical Accounting Estimates and Judgments for Leases

The adoption of IFRS 16, *Leases*, required the Company to assess its significant judgements and certain key estimates when applying the standard.

The Company exercises judgment in determining the appropriate lease term on a lease by lease basis. The Company considers all facts and circumstances that create an economic incentive to exercise a renewal option including investments in major leaseholds, operational performances and past business practice. The periods covered by renewal options are only included in the lease term if the Company is reasonably certain to renew. The Company considers reasonably certain to be a high threshold. Changes in the economic environment or changes in the retail or cannabis industry may impact The assessment of lease term, and any changes in the estimate of lease terms may have a material impact on the Company's financial position and statement of operations.

In determining the carrying amount of right of use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets if the interest rate implicit in the lease is not readily determined. The Company determines the incremental borrowing rate of each leased asset or portfolio of leased assets by incorporating the Company's creditworthiness, the security, term and value of the underlying leased asset, and the economic environment in which the leased asset operates in, as well as the Company's ability to borrow funds. The incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment.

Depreciation for the right of use assets is calculated on the straight-line basis over the following estimated useful lives of the assets:

Assets	Useful Life
Right of use – Buildings	Shorter of useful life of term of lease (7-21years)
Right of use – Vehicles	Shorter of useful life of term of lease (4-6 years)

(ii) *IFRIC 23 Uncertainty Over Income Tax Treatments*

IFRIC 23 Clarifies the application of recognition and measurement requirements in IAS 12 – Income Taxes when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers uncertain tax treatments separately or as a group, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. IFRIC 23 is effective for annual reporting periods beginning on

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

Expressed in United States Dollars, unless otherwise indicated

or after January 1, 2019, with earlier application permitted. The adoption of this standard did not have a material impact on the financial statements.

(e) Accounting Pronouncements Issued But Not Yet Effective

On October 22, 2018, the IASB issued a narrow scope amendments to IFRS 3 Business Combinations. The amendment narrowed and clarified the definition of a business as well as permitted a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. This amendment is effective on January 1, 2020. The Company intends to adopt this amendment in its consolidated financial statements for the annual period beginning January 1, 2020. The extent of the impact of the adoption of this amendment has not yet been determined.

On October 31, 2018, the IASB issued amendments to IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors. These amendments clarify and align the definition of material and provide guidance to help improve consistency in the application of materiality when used in other IFRS standards. These amendments are effective on January 1, 2020. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning January 1, 2020. The extent of the impact of the adoption of these amendments has not yet been determined.

(f) Biological assets and inventory

Paragraph 12 of IAS 41 Agricultural states that “[a] biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except for the case described in paragraph 30 where the fair value cannot be measured reliably.” Once the cannabis plant has been harvested, the costs incurred thereafter are within the scope of IAS 2 Inventories.

IAS 2.20 states: “in accordance with IAS 41 Agricultural inventories comprising agricultural produce that an entity has harvested are measured on initial recognition at their fair value less costs to sell at the point of harvest. This is the cost of the inventories at that date for application of this Standard.”

The Company incorrectly applied these standards to its unaudited condensed interim consolidated financial statements for the three months ended March 31, 2018. The correction is being applied retroactively with restatement as of January 1, 2018.

The following tables summarize the effects of the adjustments described above

Impact on the statement of income operations and comprehensive income (loss) for the three months ended March 31, 2018	Reported	Correction	Restated
Cost of goods sold	\$ 4,109,105	\$ (2,160,931)	\$ 1,948,174
Realized fair value amounts included in inventory sold	-	(587,834)	(587,834)
Unrealized fair value gain on growth of biological assets	2,130,696	(1,474,488)	656,208
Net income (loss) for the period	(85,868)	98,609	12,741

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

Expressed in United States Dollars, unless otherwise indicated

Impact on the statement of cash flows for the three months ended March 31, 2018	As Previously Reported	Effect of Correction	As Restated
Net income (loss) for the period	\$ (85,868)	\$ (1,054,384)	\$ 12,741
Net change in inventory	4,022,867	(3,518,737)	504,130
Net change in inventory fair value adjustments	-	(1,285,091)	(1,285,091)
Net change in biological assets	(95,432)	449,275	353,843

4) Financial instruments and risk management

a) Fair value hierarchy

Financial instruments are recorded at fair value are classified using a fair value hierarchy that reflects the significant of the inputs used in making the measurements.

The fair value of hierarchy has the following levels:

- Level 1 – quoted prices in active markets for identical financial instruments.
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in the markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company's financial instruments include cash, accounts payable, accrued expenses and notes payable and the current portion of lease liabilities. The carrying value of cash is carried at fair value. Accounts payable and accrued expenses and current portion of notes payable approximate their fair value due to their short-term nature.

The following table summarizes the Company's financial instruments at March 31, 2019 and December 31, 2018:

Amortized cost	March 31, 2019		December 31, 2018	
	Fair Value	Carrying value	Fair Value	Carrying value
Financial Assets:				
Cash	\$ 20,161,253	\$ 20,161,253	\$ 19,364,086	\$ 19,364,086
Financial Liabilities				
Accounts Payable	\$ 2,400,103	\$ 2,400,103	\$ 1,720,721	\$ 1,720,721
Accrued expenses	1,806,234	1,806,234	1,306,145	\$ 1,306,145
Notes payable - current	884,000	884,000	884,000	884,000
Current portion of lease liabilities	-	-	14,459	14,459
Total	\$ 5,090,337	\$ 5,090,337	\$ 3,925,325	\$ 3,925,325

b) Credit risk

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Credit risk is the risk that a third party might fail to discharge its obligations under the terms of a financial instrument. Credit risk arises from cash with banks and financial institutions. 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.

c) 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, as the Company's notes payable have fixed interest rates.

d) Currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Company operates in Canada and the United States and incurs certain expenditures and obtains financing in both CAD and USD. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the Company or subsidiary that holds the financial asset or liability. The Company's risk management policy is to review its exposure to non-CAD and non-USD forecast operating costs on a case-by-case basis. The majority of the Company's forecast operating costs are in USD and CAD. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of CAD financial assets and liabilities in USD as at March 31, 2019 is as follows:

US Dollar amounts of foreign currency assets and liabilities		
	Assets	Liabilities
Canadian Dollars	\$646,414	\$46,307

Based on the financial instruments held as at March 31, 2019, the Company's deficit would have changed by \$54,555 had the US dollar shifted by 10% as a result of foreign exchange effect on translation of non-US dollar denominated financial instruments.

At March 31, 2019, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

e) Liquidity risk

Prudent liquidity risk management implies maintaining at all times sufficient cash, liquid investments and committed credit facilities 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. The Company has the following contractual obligations:

	<1 Year	1 to 3 Years	3 to 5 Years	Thereafter	Total
Accounts Payable	\$ 2,400,103	\$ -	\$ -	\$ -	\$ 2,400,103
Accrued expenses	\$ 1,806,234	\$ -	\$ -	\$ -	\$ 1,806,234
Income taxes payable	\$ 3,506,231	\$ -	\$ -	\$ -	\$ 3,506,231
Notes Payable	\$ 884,000	\$ -	\$ -	\$ -	\$ 884,000
Lease liabilities	\$ 1,162,210	\$ 3,729,324	\$ 4,261,766	\$ 25,887,296	\$ 35,040,596

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f) Pricing risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. See Note 6 for the Company's assessment of certain changes in the fair value assumption used in the calculation of biological asset values.

g) 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.

h) Banking Risk

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in US federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that US federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty accessing the US banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the business of the Company and leaves their cash holdings vulnerable.

i) Asset Forfeiture Risk

Because the cannabis industry remains illegal under US federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property was never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

5) Inventories

Raw material harvested cannabis consists of both cultivated cannabis and third party purchased raw material harvested cannabis. Finished goods inventory consists of dried cannabis, concentrates, edibles and other products that are complete and available for sale (both internally generated inventory and third-party products purchased in the wholesale market). Work in process inventory consists of cannabis after harvest, in the processing stage. Packaging and miscellaneous consist of consumables for use in the transformation of biological assets and other inventory used in production of finished goods. The Company's inventories are comprised of:

	31-Mar-19 2018	December 31, 2018
Raw Material		
Harvested Cannabis	\$ 1,351,198	\$ 1,034,023
Packaging and miscellaneous	312,455	131,857
Total Raw Material	1,663,653	1,165,880
Work in Process	1,228,400	1,067,685
Finished Goods	2,306,670	3,088,546
Total Inventories	\$ 5,198,723	\$ 5,322,111

During the three months ended March 31, 2019, the Company recognized \$6,393,446 (2018 - \$1,948,174) of inventory expensed to cost of goods sold.

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6) Biological Assets

Biological assets consist of cannabis plants. The changes in the carrying value of biological assets are shown below:

	March 31, 2019	December 31, 2018
Beginning balance	\$ 915,177	\$ 1,067,305
Production costs capitalized	632,483	3,135,478
Net change in fair value less costs to sell due to biological transformation	358,771	1,919,593
Transferred to inventory upon harvest	(1,029,877)	(5,207,199)
Ending balance	<u>\$ 876,554</u>	<u>\$ 915,177</u>

The Company values its biological assets at the end of each reporting period at fair value less costs to sell. This is determined using a valuation model to estimate the expected harvest yield per plant applied to the estimated price per gram less cost to sell. This model also considers the progress in the plant life cycle.

The following significant unobservable inputs, all of which are classified as level 3 on the fair value hierarchy and are subject to volatility and several uncontrollable factors which could significantly affect the fair value of biological assets in future periods, were used by management as part of this model:

- Growth cycle - the average number of weeks in the growing cycle is 110 days from propagation to harvest for both the three months ended March 31, 2019 and 2018;
- Stage of growth – represents the weighted average number of days out of the 110-day growing cycle that biological assets have reached as at the measurement date;
- Yield by plant – represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant. The average harvest yield of whole flower used is 195 grams per plant for 2019 (March 2018 – 215 grams)
- Survival rate – the estimated survival rate of cannabis plants as they move from one stage of growth to the next (from germination to vegetative to flowering) based on the Company’s historical results. As plants mature at each stage, their survival rate increases;
- Price – the average price used in \$5.08 per gram in 2019 (March 2018- \$5.00)
- Post harvest costs – calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants after harvest, consisting of the cost of direct and indirect materials and labor related to labelling and packaging.

The following quantifies each unobservable input, and also provides the impact a 10% increase/decrease in each input would have on the reported fair value of biological assets:

	March 31,		10% Change as at March 31,	
	2019	2018	2019	2018
Average Stage of growth	38.5%	40.7%	\$ 92,331	\$ 82,568
Yield by plant	195 grams	215 grams	240,022	202,974
Survival rate	79.8%	75.0%	191,637	149,814
Selling price	\$5.08	\$5.00	87,665	71,354

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As at March 31, 2019, the biological assets were on average 38.5% complete (March 2018 – 40.7%); are expected to ultimately yield approximately 377.2kg of cannabis (2018 – 299.6kg); and the estimated fair value less costs to sell of dry cannabis was \$5.08 per gram.

7) Property and Equipment

	Land and Land Improvements	Buildings	Equipment	Leasehold Improvements	Construction in Progress	Total Capital Assets
Cost						
At December 31, 2017	\$ 366,676	\$ 1,698,077	\$ 980,444	\$ 2,459,355	\$ -	\$ 5,504,552
Additions	258,470	-	1,439,951	11,092,879	1,112,037	13,903,337
Transfers & disposals	-	-	-	-	-	-
At December 31, 2018	625,146	1,698,077	2,420,395	13,552,234	1,112,037	19,407,889
Additions	-	-	309,806	58,718	1,833,821	2,202,345
Transfers & disposals	-	-	(82,319)	-	-	(82,319)
At March 31, 2019	\$ 625,146	\$ 1,698,077	\$ 2,647,882	\$ 13,610,952	\$ 2,945,858	\$ 21,527,915
Accumulated Depreciation						
At December 31, 2017	\$ -	\$ 76,350	\$ 441,834	\$ 644,453	\$ -	\$ 1,162,637
Additions	25,543	42,456	309,873	610,896	-	988,768
Transfers & disposals	-	-	-	-	-	-
At December 31, 2018	25,543	118,806	751,707	1,255,349	-	2,151,405
Additions	12,799	10,613	115,929	484,423	-	623,764
Transfers & disposals	-	-	(30,183)	-	-	(30,183)
At March 31, 2019	\$ 38,342	\$ 129,419	\$ 837,453	\$ 1,739,772	\$ -	\$ 2,744,986
Net book value						
At December 31, 2018	\$ 599,603	\$ 1,579,271	\$ 1,668,688	\$ 12,296,885	\$ 1,112,037	\$ 17,256,484
At March 31, 2019	\$ 586,804	\$ 1,568,658	\$ 1,810,429	\$ 11,871,180	\$ 2,945,858	\$ 18,782,929

As at March 31, 2019, costs related to the construction of facilities were capitalized as construction in progress and not depreciated. Depreciation will commence when construction is completed, and the facility is available for its intended use. The contractual construction commitment as at March 31, 2019 was \$5,212,558 (December 31, 2018 - \$588,653).

For the three months ended March 31, 2019 depreciation expense was \$623,764 (2018- \$161,816) of which \$143,476 (2018 - \$117,583) was included in cost of goods sold.

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8) Right of use assets

	Buildings	Vehicles	Total
Cost			
Balance at December 31, 2018	\$ -	\$ -	\$ -
IFRS 16 Adoption	7,933,903	148,736	8,082,639
Additions	-	-	-
Balance at March 31, 2019	\$ 7,933,903	\$ 148,736	\$ 8,082,639
Accumulated Depreciation			
Balance at December 31, 2018	\$ -	\$ -	\$ -
IFRS 16 Adoption	-	-	-
Depreciation	117,752	12,868	130,620
Balance at March 31, 2019	\$ 117,752	\$ 12,868	\$ 130,620
Net book value			
At December 31, 2018	\$ -	\$ -	\$ -
At March 31, 2019	\$ 7,816,151	\$ 135,868	\$ 7,952,019

For the three months ended March 31, 2019 depreciation expense was \$130,620 (2018- \$nil) of which \$13,821 (2018 - \$nil) was included in cost of goods sold.

9) Prepaid expenses and other current assets

	March 31, 2019	December 31, 2018
Advertising and marketing	\$ 433,164	\$ 79,584
Security deposits	386,514	156,795
Merchandise	169,805	116,820
Prepaid rent	-	81,951
Taxes receivable	53,402	53,402
Director and officer insurance	37,585	-
Health insurance	-	42,458
Licenses	80,775	256,806
Miscellaneous	621,282	603,462
Total	\$ 1,782,527	\$ 1,391,278

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10) Notes Payable

Notes payable consist of the following:

Non-related parties

	March 31, 2019	December 31, 2018
Promissory note dated November 4, 2015, with semi-annual interest at 5.0%, secured by deed of trust, due December 1, 2019	\$ 884,000	\$ 884,000
Less current portion	(884,000)	(884,000)
Long-term portion of Promissory Notes	\$ -	\$ -
Stated maturities of debt obligations are as follows:		
Next 12 months Promissory Note	\$ 884,000	

The promissory note with an outstanding balance at March 31, 2019 and December 31, 2018 of \$884,000 is collateralized by a deed of trust on the related land.

11) Lease liabilities

The Company's lease agreements are for cultivation, manufacturing, retail and office premises and for vehicles. The property lease terms range between 7 years and 21 years depending on the facility and are subject to an average of 2 renewal periods of equal length as the original lease. Leases for vehicles are typically between 4 years and 6 years with no renewal terms. When measuring lease liabilities, the lease payments are discounted using the Company's incremental borrowing rate of 15%. The Company has only included extension options in the measurement of lease terms for those specific leases for which it is reasonably certain to exercise the related extension options.

	March 31, 2019	January 01, 2019
Total lease liabilities	\$ 8,342,138	\$ 8,949,971

The following table summarizes undiscounted future lease payments :

	March 31, 2019	December 31, 2018
Less than one year	\$ 1,153,328	\$ 1,162,210
One to five years	4,607,874	7,991,090
Greater than five years	26,189,409	-
Total undiscounted future lease payments	\$ 31,950,611	\$ 9,153,300

The following table summarizes lease-related cash flows for the three months ended March 31, 2019:

Principal repayment	\$ 70,883
Interest	210,174
Non-lease components	56,423
Short-term leases	5,418
Total cash outflows	\$ 342,898

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Non-lease components consist of payments for common area maintenance, utilities and property taxes and have not been considered in the calculation of the lease obligation. Short-term leases are leases with a lease term of 12 months or less. Payments associated with short-term leases are recognized as expenses on a straight-line basis.

12) Deferred Rent

IAS 17 (was superseded by IFRS 16 effective for financial statements issued after January 1, 2019) sets forth the accounting treatment for leases and requires that lease expense under operating leases having fixed rental increases be accounted for on a straight-line basis over the term of the lease. As at December 31, 2018, the deferred rent liability of \$427,508, represents the difference between the cumulative straight-line rent expense recorded and the actual cash payments made under operating leases. On January 1, 2019 upon the adoption of IFRS 16 the amount of deferred rent was adjusted to \$nil. See Note 8

13) Share Capital

a) Authorized

Unlimited number of common shares and unlimited number of Class A shares

	Number of Shares
Common shares	
Balance at January 1, 2019	73,324,460
Shares issued on RSU exercise	1,922,786
Shares issued on exercise of options	15,002
Shares issued on exercise of warrants	732,358
Total Common shares outstanding	75,994,606
Class A shares	
Balance at January 1, 2019	55,232,940
Total Class A Shares outstanding	55,232,940
Balance March 31, 2019	131,227,546

The Class A restricted shares have equal rateable rights as the Company's common shares to dividends, all of the Company's assets that are available for distribution upon liquidation, dissolution or winding up of the Company's affairs, do not have pre-emptive rights, are entitled to receive notice and attend shareholders meetings and to exercise one vote for each Class A share held at all meetings of shareholders of the Company other than with respect to the vote for the election or removal of directors. Each Class A shareholder is able to convert each outstanding Class A share at the option of the holder thereof into one common share at any time provided that such conversion would not cause the Company to become a US Domestic Issuer. The restriction on conversion of Class A shares are designed to prevent the Company from becoming a US Domestic Issuer. Generally, a company will be considered to be a US Domestic Issuer if:

(A) 50% or more of the holders of a company's common voting shares are U.S. Persons; and either (B) (i) the majority of the executive officers or directors of the Issuer are United States citizens or residents; (ii) the company has 50% or more of its assets located in the United States; or (iii) the business of the company is principally administered in the United States.

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As there are no restrictions on issue or transfer of the Company's common shares, there is no guarantee that the Company will not become a US Domestic Issuer in the future.

The Company's Class A Shares were issued to all shareholders of the Company who were resident in the United States on the date of the closing of the RTO.

On March 1, 2019 the Company issued 1,922,786 common shares on the exercise of Restricted Share Units that had vested during the period.

On March 22, 2019 the Company issued 15,002 common shares on the exercise of options that had a strike price of \$0.80 per common share resulting in cash proceeds receivable of \$9,024

During the three months ended March 31, 2019, the Company issued 732,358 common shares to warrant holders who exercised 732,358 warrants resulting in cash proceeds of \$518,641.

b) Stock options

The Company has established an incentive stock option plan (the "Plan") for employees, management, directors, and consultants of the Company, as designated and administered by a committee of the Company's Board of Directors. Under the Plan, the Company may grant options for up to 10% of the issued and outstanding common shares of the Company.

On January 7, 2019 the Company granted 100,000 incentive stock options to employees of the Company. These options are exercisable at a price of CAD\$1.50 per common share for a period of five years from the grant date.

The following table summarizes information about stock options outstanding as at March 31, 2019 (Nil March 31, 2018):

Expiry date	Exercise Price	March-31 2019	March 31, 2019
	CAD\$	Outstanding	Exercisable
June 11, 2021	\$0.80	175,000	175,000
June 11, 2023	\$0.80	575,000	196,668
July 31, 2023	\$0.75	25,000	8,333
January 7, 2024	\$1.50	100,000	33,334
		875,000	413,335

The employee options vest one third on the grant date and one third on the first and second anniversary of the grant date. The fair value ascribed to the options issued during the three months ended March 31, 2019 was \$87,086 and is being recognized as non-cash compensation expense over the vesting period of the options. The following assumptions were used to arrive at the value ascribed to the options issued using a Black Scholes Option Pricing model:

Assumption	January 7, 2019
Closing share price in CAD\$ the day prior to granting	\$1.50
Risk-free rate	1.87%
Expected dividend yield	0.00%
Expected volatility	110.41%
Option life in years	5.00

Volatility was estimated by comparing the volatility of publicly traded companies that operate in the US cannabis market. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on the Government of Canada Bond yields on the date of the option grant with a remaining term equal to the expected life of the options.

Share based compensation expense attributable to employee options that vested during the three months ended March 31, 2019 was \$89,459 (nil for the three months ended March 31, 2018).

The following table reflects the continuity of stock options for the periods presented:

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	March 31, 2019	Weighted Average CAD\$ Exercise price	December 31, 2018	Weighted Average CAD\$ Exercise price
Stock option activity				
Balance – beginning of period	790,002	\$0.80	-	-
Granted	100,000	\$1.50	820,000	\$0.80
Exercised	(15,002)	\$0.80	-	-
Expired	-	-	-	-
Forfeited	-	-	(29,998)	\$0.80
Balance – end of period	875,000	\$0.89	790,002	\$0.80

	March 31, 2019
The outstanding options have a weighted-average CAD\$ exercise price of:	\$0.89
The weighted average remaining life in years of the outstanding options is:	3.87

c) Warrants

The following table summarizes warrants outstanding at March 31, 2019:

Date of Issuance	Date of Expiry	CAD\$ Exercise Price	March 31, 2019 Outstanding
June 11, 2018	June 11, 2020	\$0.80	127,102
June 11, 2018	June 11, 2020	\$1.40	13,774,525
December 4, 2018	December 4, 2020	\$3.00	524,115
December 4, 2018	December 4, 2021	\$3.75	4,792,625
			19,218,367

	March 31, 2019
The outstanding warrants have a weighted-average CAD\$ exercise price of:	\$2.03
The weighted average remaining life in years of the outstanding warrants is:	1.58

The following table reflects the continuity of warrants for the periods presented:

	March 31, 2019	Weighted Average CAD\$ Exercise price	December 31, 2018	Weighted Average CAD\$ Exercise price
Warrant activity				
Balance – beginning of period	19,950,725	\$1.99	-	-
Issued on private placements	-	-	15,729,150	\$1.40
Issued to brokers on private placement	-	-	1,485,645	\$0.80
Issued on prospectus financing	-	-	4,792,625	\$3.75
Issued to brokers on prospectus financing	-	-	524,115	\$3.00
Exercised	(732,358)	\$0.95	(2,580,810)	\$1.21
Expired	-	-	-	-
Balance – end of period	19,218,367	\$2.03	19,950,725	\$1.99

The Company received cash proceeds of \$518,641 (CAD\$698,536) from the exercise of warrants during the three months ended March 31, 2019. The Company reduced the carrying value of warrants by \$299,456 that was associated with the warrants that were exercised and reallocated this amount to common share capital. The share price at the time of exercise was as follows:

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Date	Number of warrants exercised	CAD\$ Exercise price	CAD\$ Share price
22-Jan-19	250	\$1.40	\$2.02
22-Jan-19	100,000	\$0.80	\$2.02
31-Jan-19	100,000	\$0.80	\$2.16
14-Feb-19	100,000	\$0.80	\$1.88
07-Mar-19	244,608	\$0.80	\$1.77
26-Mar-19	187,500	\$1.40	\$1.99
Total	732,358		

d) Restricted Share Units

The Company has established a Restricted Share Unit incentive plan (the “RSU Plan”) for employees, management, directors, and consultants of the Company, as designated and administered by a committee of the Company’s Board of Directors. Under the RSU Plan, the Company may grant RSUs and/or options for up to 10% of the issued and outstanding common shares of the Company.

On June 11, 2018, the Company granted Management and Directors and Consultants of the Company 5,638,358 Restricted Share Units under the RSU plan. The value ascribed to the RSU issued was CAD\$1.00 per share, the closing share price of the Company’s common shares on June 11, 2018. The RSUs vest 1/3 on the grant date and 1/3 on each of the first and second anniversaries of the grant date. 575,000 of the RSUs granted were issued to a consultant of the Company as payment of an outstanding accounts payable in the amount of \$346,206. The fair value of the RSUs issued was \$442,546. The Company recorded a loss on settlement of the accounts payable of \$96,340. The RSUs issued on settlement of the accounts payable amount vest on the same terms as the rest of the RSU grant.

On July 31, 2018, the Company granted a member of Management of the Company 25,000 Restricted Share Units under the RSU plan. The value ascribed to the RSU issued was CAD\$0.75 per share, the closing share price of the Company’s common shares on July 31, 2018. The RSUs vest 1/3 on the grant date and 1/3 on each of the first and second anniversaries of the grant date.

On November 9, 2018, 295,667 RSUs that were previously granted on June 11, 2018 were cancelled as a result of an employee resignation.

The Company issued 1,922,786 common shares on the exercise of 1,922,786 RSUs during the three months ended March 31, 2019 (nil for the three months ended March 31, 2018). The following table summarizes the RSUs that are outstanding as at March 31, 2019:

Restricted Share Units (RSUs)	Share Price on Grant Date	March 31,	March 31,
		2019 Outstanding	2019 Vested
June 11, 2018	CAD \$1.00	3,428,238	-
July 31, 2018	CAD\$0.75	16,667	-
		3,444,905	-

The Company recognize \$485,266 in share-based compensation expense attributable to RSUs vesting during the three months ended March 31, 2019 (nil for the three months ended March 31, 2018).

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14) General and Administrative Expenses

	For the three months ended	
	March 31,	
	2019	2018
Salaries and wages	\$ 1,559,717	\$ 401,474
Executive compensation	184,986	60,000
Licenses and permits	279,587	98,051
Payroll taxes and benefits	458,723	70,255
Supplies	314,797	53,731
Professional fees (legal, audit and other)	748,725	74,218
Miscellaneous general and administrative expenses	993,685	353,244
	<u>\$ 4,540,220</u>	<u>\$ 1,110,973</u>

15) Income tax

Reconciliation to statutory tax rate:

	2019	2018
Income (loss) before income taxes	415,480	353,376
Tax expense at statutory rate:	26.50%	21.00%
Expected income tax expense (recovery) at statutory rates	110,102	74,209
Permanent differences and other	1,377,383	266,426
Change in benefit of current year tax losses not recognized	167,172	-
Change in benefit of prospective rates	-	-
Foreign tax differential	(89,038)	-
Income tax provision (recovery)	1,565,619	340,635

Deferred Income Taxes Asset (Liability):

	2019	2018
Non-capital losses	-	-
Inventory fair value adjustments	(533,276)	(317,039)
Biological assets	(184,076)	(153,817)
	(717,352)	(470,856)

Opening balance -	(470,856)
Tax recovery (expense) during period recognized in net income after tax	(246,497)
Impact of change in foreign exchange rates	-
Closing balance - March 31, 2019	(717,353)

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16) Earnings per share

Net Income (Loss) per common share represents the net income (loss) attributable to common shareholders divided by the weighted average number of common shares outstanding during the period.

The weighted average number of fully dilutive common shares outstanding is derived by adding the effect of all dilutive securities (using the treasury method) to the weighted average number of common shares outstanding. As at March 31, 2019, the Company was in a loss position, such that the exercise of options and warrants and the issuance of RSUs would have been anti-dilutive. As such, the diluted loss per share calculation excludes and potential conversion of options, warrants and RSUs that would decrease the loss per share.

	March 31, 2019	March 31, 2018
Basic weighted average shares outstanding		
Common shares	74,234,168	25,500,000
Restricted voting shares	55,232,940	49,500,000
Total Basic weighted average shares outstanding	129,467,108	75,000,000
Effect of dilutive securities		
Options	-	-
Warrants	-	-
RSUs	-	-
Diluted weighted average shares outstanding	129,467,108	75,000,000
Net income (loss) for the period	\$ (1,423,344)	\$ 12,741
Basic loss per share	\$ (0.01)	\$ -
Fully diluted loss per share	\$ (0.01)	\$ -

17) Commitments and Contingencies

(a) Construction Commitments

At March 31, 2019 the Company had construction commitments outstanding of \$5,212,558 (December 31, 2018 - \$588,653) related to the Phase 1 and Phase 2 build-out of the Company's Planet 13 cannabis entertainment complex that opened on November 1, 2018.

(b) Contingencies

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulations as at March 31, 2019, medical and adult use cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

(c) Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At March 31, 2019, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of

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the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

(d) Operating Licenses

Although the possession, cultivation and distribution of marijuana for medical and adult use is permitted in Nevada, marijuana is a Schedule-I controlled substance and its use remains a violation of federal law. Since federal law criminalizing the use of marijuana pre-empts state laws that legalize its use, strict enforcement of federal law regarding marijuana would likely result in the Company's inability to proceed with our business plans. In addition, the Company's assets, including real property, cash, equipment and other goods, could be subject to asset forfeiture because marijuana is still federally illegal.

(e) Employment Agreements

The Company has employment agreements in place with its Executive Management team and certain key employees. The annual salaries pursuant to such agreements range from \$60,000 to \$240,000.

18) Related party transactions

Related party transactions are summarized as follows:

(a) Building Lease

Prior to September 2018, the Company leased approximately 15,000 square feet of office and production space for the Company's Clark County Cultivation facility from a limited partnership controlled by Larry Scheffler, Co-CEO of the Company. On September 26, 2018 the property was acquired by an arm's length third party. Related-party rents paid under this lease for the three months ended March 31, 2019 and 2018 equaled \$0 and \$29,932, respectively.

(b) Officer Compensation

The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company's executive management team and board of directors. The following table summarizes amounts paid to related parties as compensation for the three months ended March 31, 2019 and 2018:

	Year	Remuneration or fees ⁽¹⁾	Share based payments ⁽¹⁾	Included in accounts payable ⁽¹⁾
Management compensation	2019	\$337,655	\$545,645	\$ -
	2018	89,756	-	-
Director compensation	2019	\$ -	\$106,970	\$ -
	2018	-	-	-

⁽¹⁾ Amounts disclosed were paid or accrued during the three months ended March 31, 2019.

(c) 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 the Company's Co-CEO. Amounts paid to such company for rent for the three months ended March 31, 2019 and 2018 equaled \$6,010 and \$6,010 respectively, for rent and amounts paid for printed marketing collateral and stationery items equaled \$nil and \$39,574 respectively.

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19) Segmented disclosure

a) Operating segments

The Company operates in a single reportable operating segment as a vertically integrated cannabis company with cultivation, production and distribution operations in the state of Nevada.

b) Geographic segments

As at March 31, 2019, and December 31, 2018 all the Company's non-current assets were located in the United States.

20) Capital Management

The Company's capital structure consists of all components of shareholders' equity, leases and notes payable. The Company's objective when managing capital is to maintain adequate levels of funding to support the day-to-day business activities of its cannabis operations in Nevada as well as to fund strategic initiatives, including the buildout of phase II of the Superstore Cannabis Entertainment Complex as well as to fund future expansion opportunities in other locations that may arise and maintain the necessary corporate and administrative functions to facilitate these activities. This has been done primarily through equity financing. Future equity 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 three months ended March 31, 2019. The Company is not subject to externally imposed capital requirements.

21) Subsequent Events

The Company issued 3,085,750 common shares on various dates from April 1, 2019 to May 30, 2019 on the exercise of warrants with a strike price of CAD\$1.40 and realized cash proceeds of CAD\$4,320,050 from the exercise.

The Company issued 5,790 common shares on various dates from April 1, 2019 to May 30, 2019 on the exercise of warrants with a strike price of CAD\$0.80 and realized cash proceeds of CAD\$4,632 from the exercise.

The Company issued 100 common shares on May 7, 2019 on the exercise of warrants with a strike price of CAD\$3.75 and realized cash proceeds of CAD\$3752 from the exercise.