



UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019

Expressed in United States Dollars

The accompanying unaudited condensed interim consolidated financial statements of the company have been prepared by and are the responsibility of the Company's management.

MANAGEMENT’S RESPONSIBILITY

To the Shareholders of Planet 13 Holdings Inc.:

Management is responsible for the preparation and presentation of the accompanying unaudited 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 unaudited 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 unaudited 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 fulfils 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 unaudited condensed interim consolidated financial statements were approved by the Board of Directors on August 31, 2020 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.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>Expressed in United States Dollars</i>	As at June 30, 2020	As at December 31, 2019
Assets		
Current Assets		
Cash	\$ 22,724,824	\$ 12,814,712
HST receivable	110,192	16,544
Inventories (Note 5)	5,775,633	5,474,004
Biological assets (Note 6)	699,850	514,526
Prepaid expenses and other current assets (Note 10)	1,723,608	3,694,272
Total Current Assets	31,034,107	22,514,058
Property and equipment (Note 7)	30,053,518	30,211,154
Licenses (Note 8)	5,607,238	-
Right of use assets (Note 9)	13,555,904	9,478,733
Deferred tax asset	28,779	-
Long-term deposits and other assets	1,189,318	694,601
	50,434,757	40,384,488
Total Assets	\$ 81,468,864	\$ 62,898,546
Liabilities		
Current Liabilities		
Accounts payable	\$ 2,516,299	\$ 864,260
Accrued expenses	2,210,801	1,910,046
Income taxes payable	9,838,881	7,015,606
Notes payable - current portion (Note 11)	884,000	884,000
Total Current Liabilities	15,449,981	10,673,912
Long -term lease liabilities (Note 12)	15,060,344	10,522,377
Other long-term liabilities	28,000	28,000
Deferred tax liability	-	379,665
	15,088,344	10,930,042
Total Liabilities	30,538,325	21,603,954
Shareholders' Equity		
Share capital (Note 13)	69,411,212	51,986,849
Restricted share units (Note 13)	3,397,735	4,119,485
Warrants (Note 13)	4,367,973	5,961,091
Option reserve (Note 13)	375,678	399,439
Accumulated other comprehensive loss	(660,337)	(607,707)
Deficit	(25,961,722)	(20,564,565)
Total Shareholders' Equity	50,930,539	41,294,592
Total Liabilities and Shareholders' Equity	\$ 81,468,864	\$ 62,898,546

Nature of operations (Note 1)

Commitment and Contingencies (Note 15)

Subsequent events (Note 19)

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

"Michael Harman"

Michael Harman, Director

"Adrienne O'Neal"

Adrienne O'Neal, Director

PLANET 13 HOLDINGS INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS

<i>Expressed in United States Dollars</i>	Three months Ended June 30, 2020	Three months Ended June 30, 2019	Six months Ended June 30, 2020	Six months Ended June 30, 2019
Revenue				
Revenues, net of discounts	\$ 10,760,996	\$ 16,521,717	\$ 27,553,998	\$ 30,357,780
Cost of Goods Sold	(6,051,963)	(6,826,598)	(13,798,885)	(13,220,044)
Gross Profit before fair value asset adjustment	4,709,033	9,695,119	13,755,113	17,137,736
Realized fair value amounts included in inventory sold	(327,997)	102,919	(521,193)	(243,143)
Unrealized fair value gain on growth of biological assets	372,353	(192,438)	799,968	166,333
Gross Profit	4,753,389	9,605,600	14,033,888	17,060,926
Expenses				
General and Administrative (Note 14)	5,559,623	5,476,208	11,082,137	10,016,428
Sales and Marketing	246,353	1,644,752	1,692,961	3,046,881
Depreciation and Amortization (Note 7 & 9)	1,040,065	668,041	2,027,073	1,265,130
Share-Based Compensation Expense (Note 13)	626,017	539,262	1,436,840	1,111,614
Total Expenses	7,472,058	8,328,263	16,239,011	15,440,053
Income (Loss) From Operations	(2,718,669)	1,277,337	(2,205,123)	1,620,873
Other Expense:				
Interest expense, net	572,257	372,456	853,262	588,155
Realized foreign exchange loss	-	2,337	-	5,062
Other income	(4,103)	(161,678)	(76,059)	(178,841)
Total Other Expense	568,154	213,115	777,203	414,376
Income (Loss) before income taxes	(3,286,823)	1,064,222	(2,982,326)	1,206,497
Provision for tax - current	866,710	1,999,690	2,720,092	3,717,532
Provision for tax - deferred	(165,438)	-	(305,261)	(152,223)
Loss for the Period	\$ (3,988,095)	\$ (935,468)	\$ (5,397,157)	\$ (2,358,812)
Other Comprehensive Income				
Foreign exchange translation gain (loss)	(83,699)	(82,316)	(52,630)	190,889
Net Comprehensive Loss for the Period	\$ (4,071,794)	\$ (1,017,784)	\$ (5,449,787)	\$ (2,167,923)
Loss per share for the Period				
Basic and diluted loss per share	(\$0.03)	(\$0.01)	(\$0.04)	(\$0.02)
Weighted Average Number of Common Shares Outstanding				
Basic and Diluted	143,947,783	133,533,681	137,845,886	131,498,887

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Expressed in United States Dollars

	Number of shares outstanding	Common 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, 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)	-	-	-	-	-
Share based compensation - RSUs	-	-	-	981,724	-	-	-	-	981,724
Shares issued on exercise of warrants	3,824,248	4,609,550	-	-	(873,863)	-	-	-	3,735,687
Shares issued on exercise of options	15,002	17,711	-	-	-	(8,687)	-	-	9,024
Share based compensation - options	-	-	-	-	-	129,891	-	-	129,891
Cumulative foreign exchange gain	-	-	-	-	-	-	190,890	-	190,890
Net loss for the period	-	-	-	-	-	-	-	(2,358,812)	(2,358,812)
Balance June 30, 2019	134,319,436	42,947,226	5,619,119	2,303,799	6,172,980	427,094	(612,030)	(16,265,044)	40,593,144
Shares issued on exercise of RSUs	2,031,732	1,766,757	-	(1,766,757)	-	-	-	-	-
Share based compensation - RSUs	-	-	-	3,582,443	-	-	-	-	3,582,443
Shares issued on exercise of warrants	1,065,399	1,330,913	-	-	(211,889)	-	-	-	1,119,024
Shares issued on exercise of options	243,992	322,834	-	-	-	(156,384)	-	-	166,450
Share based compensation - options	-	-	-	-	-	128,729	-	-	128,729
Cumulative foreign exchange (loss)	-	-	-	-	-	-	4,323	-	4,323
Net loss for the period	-	-	-	-	-	-	-	(4,299,521)	(4,299,521)
Balance December 31, 2019	137,660,559	46,367,730	5,619,119	4,119,485	5,961,091	399,439	(607,707)	(20,564,565)	41,294,592
Balance at January 1, 2020	137,660,559	\$ 46,367,730	\$ 5,619,119	\$ 4,119,485	\$ 5,961,091	\$ 399,439	\$ (607,707)	\$ (20,564,565)	\$ 41,294,592
Shares issued for acquisition	3,940,932	-	4,453,831	-	-	-	-	-	4,453,831
Shares issued on exercise of RSUs	1,017,153	2,112,699	-	(2,112,699)	-	-	-	-	-
Share based compensation - RSUs	-	-	-	1,390,949	-	-	-	-	1,390,949
Shares issued on exercise of warrants	8,912,588	10,705,151	-	-	(1,593,118)	-	-	-	9,112,033
Share issuance on exercise of options	108,334	152,682	-	-	-	(69,652)	-	-	83,030
Share based compensation - options	-	-	-	-	-	45,891	-	-	45,891
Cumulative foreign exchange gain	-	-	-	-	-	-	(52,630)	-	(52,630)
Net loss for the period	-	-	-	-	-	-	-	(5,397,157)	(5,397,157)
Balance June 30, 2020	151,639,566	\$ 59,338,262	\$ 10,072,950	\$ 3,397,735	\$ 4,367,973	\$ 375,678	\$ (660,337)	\$ (25,961,722)	\$ 50,930,539

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS*Expressed in United States Dollars*

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Operating activities		
Net loss for the period	\$ (5,397,157)	\$ (2,358,812)
Add (deduct) non-cash items:		
Share based payments (Note 13)	1,436,840	1,224,131
Depreciation and amortization (Note 7 & 9)	2,846,655	1,580,761
Deferred tax liability	(379,665)	(284,491)
Deferred tax asset	(28,779)	-
Realized fair value amounts included in inventory sold	-	(102,919)
Unrealized fair value gain on growth of biological assets	-	192,438
Non-cash interest expense on ROU Liabilities	1,075,663	-
Net change in non-cash working capital		
HST receivable	(93,648)	(78,597)
Inventories (Note 5)	(301,629)	(11,150)
Biological assets (Note 6)	(185,324)	(89,519)
Prepaid expenses and other assets (Note 10)	1,970,664	(2,780,552)
Long term deposits and other assets	(494,717)	(70,000)
Accounts payable	1,652,038	1,510,420
Accrued expenses	300,756	256,246
Income tax payable	2,823,275	3,849,799
Cash flow provided by operating activities	5,224,972	2,837,755
Investing activities		
Purchase of property, plant and equipment (Note 7)	(2,352,575)	(5,946,852)
Purchase of license (Note 8)	(1,153,407)	-
Cash flow used in investing activities	(3,505,982)	(5,946,852)
Financing activities		
Issuance of shares on warrant and option exercises (Note 13)	9,195,063	3,744,711
Payment on lease liabilities	(951,311)	(15,934)
Cash flow provided by financing activities	8,243,752	3,728,777
Net increase in cash	9,962,742	619,680
Cash at beginning of the period	12,814,712	19,364,086
Effect of foreign exchange on cash	(52,630)	(26,436)
Cash at end of the period	\$ 22,724,824	\$ 19,957,330

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>Expressed in United States Dollars (unaudited)</i>	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Supplemental Disclosure of Cash Flow		
Cash paid during the period for:		
Interest	\$ 863,342	\$ 517,657
Income taxes	\$ -	\$ -
Non-cash activities		
Carrying value of warrants exercised	\$ 1,593,118	\$ 873,863
Carrying value of RSUs exercised	\$ 2,112,699	\$ 1,478,260
Carrying value of options exercised	\$ 69,652	\$ 8,687
Licenses and intangible assets	\$ 4,453,831	\$ -
Lease Liabilities	\$ (4,413,615)	\$ (10,378,543)
Right of Use Assets	\$ 4,413,615	\$ 9,808,438

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019

Expressed in United States Dollars, unless otherwise indicated

1) Nature of Operations

Planet 13 Holdings Inc. ("P13" or the "Company") was incorporated under the Canada Business Corporations Act on April 26, 2002. The Company 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).

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

The Company's registered office is located at 240 Richmond Street West, Toronto, ON M5V 1V6 and the head office address is 2548 West Desert Inn. Rd, Las Vegas, NV 89109.

2) Statement of Compliance

These unaudited condensed interim 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 should be read in conjunction with the Company's audited consolidated financial statements as of and for the year ended December 31, 2019. They do not include all the information required for a complete set of International Financial Reporting Standards ("IFRS") financial statements. However, selected explanatory notes are included to explain events and transactions deemed significant to provide an understanding of the changes in the Company's financial position and performance since its most recent annual financial statements. These unaudited condensed interim consolidated financial statements are presented in U.S. dollars. The Canadian dollar serves as the functional currency of the Parent company. The Company's subsidiaries all have the U.S. dollar as their functional currency.

The accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2019, except for the following:

On October 22, 2018, the IASB issued a narrow scope amendment 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, and was adopted by the Company, on January 1, 2020. The adoption of this standard did not have a material impact on the condensed interim consolidated financial statements.

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 materiality and provide guidance to help improve consistency in the application of materiality when used in other IFRS standards. This amendment is effective, and was adopted by the Company, on January 1, 2020. The adoption of this standard did not have a material impact on the condensed interim consolidated financial statements.

The unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on August 31, 2020.

(a) Basis of Measurement

These unaudited condensed interim 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.

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019

Expressed in United States Dollars, unless otherwise indicated

2) Statement of compliance (continued)

(b) Principles of Consolidation

These unaudited condensed interim consolidated financial statements for the six months ended June 30, 2020 include the financial position, results of operations and cash flows of the Company and its subsidiaries. The Company's subsidiaries as at June 30, 2020 are as follows:

Subsidiary	Country of Incorporation	Economic Interest	Nature of Business
MM Development Company, Inc. ("MMDC")	USA	100%	Vertically integrated Cannabis Operations
BLC Management Company LLC. ("BLC")	USA	100%	Management Company
LBC Company LLC. ("LBC")	USA	100%	CBD Retail Sales and Marketing
Newtonian Principles Inc.	USA	100%	Cannabis Retail Sales
MM Development MI, Inc.	USA	100%	Holding Company
MM Development CA, Inc.	USA	100%	Holding Company
Planet 13 Illinois, LLC	USA	49%	Holding Company
BLC NV Food, LLC	USA	100%	Food Retailing
By The Slice, LLC	USA	100%	Food Retailing

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

3) Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the use of judgments and/or estimates that affect the amounts reported and disclosed in the consolidated financial statements and related notes. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, having given regard to previous experience, but actual results may differ materially from the amounts included in the financial statements. The critical estimates and judgments applied in the preparation of the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2020 are consistent with those applied and disclosed in note 4 to the Company's audited consolidated financial statements for the year ended December 31, 2019.

4) Financial instruments and risk management

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019

Expressed in United States Dollars, unless otherwise indicated

a) Fair value hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance 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. The carrying value of cash is carried at fair value. Accounts payable and accrued expenses and notes payable approximate their fair value due to their short-term nature.

The following table summarizes the Company's financial instruments at June 30, 2020:

Amortized cost	June 30, 2020		December 31, 2019	
	Fair Value	Carrying value	Fair Value	Carrying value
Financial Assets:				
Cash	\$ 22,724,824	\$ 22,724,824	\$ 12,814,712	\$ 12,814,712
Financial Liabilities				
Accounts Payable	\$ 2,516,299	\$ 2,516,299	\$ 864,260	\$ 864,260
Accrued expenses	2,210,801	2,210,801	1,910,046	1,910,046
Notes payable - current	884,000	884,000	884,000	884,000
Total	\$ 5,611,100	\$ 5,611,100	\$ 3,658,306	\$ 3,658,306

b) Credit risk

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

4) Financial instruments and risk management (Continued)

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019

Expressed in United States Dollars, unless otherwise indicated

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 June 30, 2020, is as follows:

US Dollar amounts of foreign currency assets and liabilities

	Assets	Liabilities
Canadian Dollars	\$8,387,865	\$18,701

Based on the financial instruments held as at June 30, 2020, the Company's other comprehensive loss would have changed by \$760,833 had the US dollar shifted by 10% as a result of foreign exchange effect on translation of non-US dollar denominated financial instruments.

At June 30, 2020, 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:

As at June 30, 2020

	<1 Year	1 to 5 Years	Thereafter	Total
Accounts Payable	\$ 2,516,299	\$ -	\$ -	\$ 2,516,299
Accrued expenses	\$ 2,210,801	\$ -	\$ -	\$ 2,210,801
Income taxes payable	\$ 9,838,881	\$ -	\$ -	\$ 9,838,881
Notes Payable	\$ 884,000	\$ -	\$ -	\$ 884,000
Lease liabilities	\$ 2,053,771	\$ 12,410,311	\$ 30,032,296	\$ 44,496,378

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.

4) Financial instruments and risk management (Continued)

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019

Expressed in United States Dollars, unless otherwise indicated

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

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:

	June 30, 2020	December 31, 2019
Raw Material		
Harvested Cannabis	\$ 1,177,644	\$ 960,475
Packaging and miscellaneous	719,453	500,109
Total Raw Material	1,897,097	1,460,584
Work in Process	1,585,604	1,641,922
Finished Goods	2,292,932	2,371,498
Total Inventories	\$ 5,775,633	\$ 5,474,004

During the three months ended June 30, 2020 the Company recognized \$6,051,963 (2019 - \$6,826,598) of inventory expensed to cost of goods sold (\$13,798,885 for the six months ended June 30, 2020 and \$13,220,044 for the six months ended June 30, 2019).

6) Biological Assets

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

	June 30, 2020	December 31, 2019
Beginning balance	\$ 514,526	\$ 915,177
Production costs capitalized	1,398,655	2,437,980
Net change in fair value less costs to sell due to biological transformation	793,966	1,020,784
Transferred to inventory upon harvest	(2,007,297)	(3,859,415)
Ending balance	\$ 699,850	\$ 514,526

6) Biological Assets (Continued)

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019

Expressed in United States Dollars, unless otherwise indicated

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 and six months ended June 30, 2020 and 2019;
- 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 143 grams per plant for 2020 (2019 – 106 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 of \$5.29 per gram in 2020 (six months June 30, 2019- \$5.08 per gram) derived from the average selling price of wholesale cannabis as published by the Nevada Department of Taxation for the periods presented;
- 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:

	June 30, 2020	June 30, 2019	10% change as at	
			June 30, 2020	June 30, 2019
Stage of growth	35.10%	36.70%	\$ 73,613	\$ 38,126
Yield by plant	143 grams	106 grams	209,769	103,927
Survival rate	83.50%	84.20%	175,161	87,522
Wholesale Selling price	\$5.29	\$5.08	69,985	37,428

7) Property and Equipment

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019

Expressed in United States Dollars, unless otherwise indicated

	Land and Land Improvements	Buildings and Structures	Equipment	Leasehold Improvements	Construction in Progress	Total Capital Assets
Cost						
At December 31, 2018	\$ 625,146	\$ 1,698,077	\$ 2,420,395	\$ 13,552,235	\$ 1,112,037	\$ 19,407,890
Additions	-	-	704,155	8,395,988	6,909,303	16,009,446
Transfers & disposals	-	-	950,535	5,146,336	(6,243,057)	(146,186)
At December 31, 2019	625,146	1,698,077	4,075,085	27,094,559	1,778,283	35,271,150
Additions	-	-	924,914	801,051	833,091	2,559,056
Transfers & disposals	-	-	133,658	333,788	(673,927)	(206,481)
At June 30, 2020	\$ 625,146	\$ 1,698,077	\$ 5,133,657	\$ 28,229,398	\$ 1,937,447	\$ 37,623,725
Accumulated Depreciation						
At December 31, 2018	\$ 25,543	\$ 118,806	\$ 751,707	\$ 1,255,350	\$ -	\$ 2,151,406
Additions	51,194	42,452	554,542	2,323,706	-	2,971,894
Transfers & disposals	-	-	(63,304)	-	-	(63,304)
At December 31, 2019	76,737	161,258	1,242,945	3,579,056	-	5,059,996
Additions	25,597	21,226	472,519	1,990,869	-	2,510,211
Transfers & disposals	-	-	-	-	-	-
At June 30, 2020	\$ 102,334	\$ 182,484	\$ 1,715,464	\$ 5,569,925	\$ -	\$ 7,570,207
Net book value						
At December 31, 2019	\$ 548,409	\$ 1,536,819	\$ 2,832,140	\$ 23,515,503	\$ 1,778,283	\$ 30,211,154
At June 30, 2020	\$ 522,812	\$ 1,515,593	\$ 3,418,193	\$ 22,659,473	\$ 1,937,447	\$ 30,053,518

As at June 30, 2020, 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 June 30, 2020 was \$nil (December 31, 2019 - \$4,516,513).

For the six months ended June 30, 2020, depreciation expense was \$2,510,211 (2019- \$1,281,792) of which \$737,556 (2019 - \$286,987) was included in cost of goods sold.

8) Licenses

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019

Expressed in United States Dollars, unless otherwise indicated

	Retail Dispensary		
	Santa Ana	Other	Total
Cost			
Balance at December 31, 2018 and 2019	\$ -	\$ -	\$ -
Additions	5,607,238	-	5,607,238
Balance at June 30, 2020	\$ 5,607,238	\$ -	\$ 5,607,238
Accumulated Depreciation			
Balance at December 31, 2018 and 2019	\$ -	\$ -	\$ -
Amortization	-	-	-
Balance at June 30, 2020	\$ -	\$ -	\$ -
Net book value			
At December 31, 2018 and 2019	\$ -	\$ -	\$ -
At June 30, 2020	\$ 5,607,238	\$ -	\$ 5,607,238

On May 20, 2020, the Company closed on its acquisition of Newtonian Principles, Inc. resulting in the Company acquiring a California cannabis sales license held by Newtonian Principles, Inc and a 30-year lease for a dispensary in Santa Ana, California and certain other assets. The Company paid a total of \$1,000,000 in cash and issued 3,940,932 Class A shares valued at \$4,453,832 to the sellers on closing. The Company also capitalized \$153,406 in costs directly related to the acquisition of the Newtonian Principles Inc. underlying cannabis license. The acquisition was accounted for as an asset purchase as Newtonian Principles, Inc. was deemed to not be a business under IFRS 3. The value ascribed to the license has been capitalized and will be amortized over the remaining useful life of the Company's interest in the ROU assets of the property where the license is located.

9) Right of use Assets

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019

Expressed in United States Dollars, unless otherwise indicated

	Buildings	Vehicles	Total
Cost			
Balance at December 31, 2018	\$ -	\$ -	\$ -
IFRS 16 Adoption	7,933,903	148,736	8,082,639
Additions	2,031,486	-	2,031,486
Balance at December 31, 2019	\$ 9,965,389	\$ 148,736	\$ 10,114,125
Additions	4,413,615	-	4,413,615
Balance at June 30, 2020	\$ 14,379,004	\$ 148,736	\$ 14,527,740
Accumulated Depreciation			
Balance at December 31, 2018	\$ -	\$ -	\$ -
IFRS 16 Adoption	-	-	-
Depreciation	583,919	51,473	635,392
Balance at December 31, 2019	\$ 583,919	\$ 51,473	\$ 635,392
Depreciation	310,708	25,736	336,444
Balance at June 30, 2020	\$ 894,627	\$ 77,209	\$ 971,836
Net book value			
At December 31, 2019	\$ 9,381,470	\$ 97,263	\$ 9,478,733
At June 30, 2020	\$ 13,484,377	\$ 71,527	\$ 13,555,904

For the six months ended June 30, 2020 depreciation expense was \$336,444 (2019- \$298,969) of which \$82,026 (2019 - \$28,644) was included in cost of goods sold.

10) Prepaid expenses and other current assets

	June 30, 2020	December 31, 2019
Advertising and marketing	\$ 35,000	\$ 63,808
Security deposits	657,638	2,210,249
Funds awaiting clearing from payment processors	-	696,178
Merchandise	2,503	3,268
Taxes receivable	37,163	81,948
D&O Insurance	305,444	138,400
Health insurance	310,008	218,131
Licenses	50,154	121,752
Miscellaneous	325,698	160,538
Total	\$ 1,723,608	\$ 3,694,272

11) Notes Payable

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019

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Notes payable consist of the following:

Non-related parties

	June 30, 2020	December 31, 2019
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 June 30, 2020 and December 31, 2019 of \$884,000 is collateralized by a deed of trust on the related land.

12) 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 weighted average 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.

	June 30, 2020	December 31, 2019
Total lease liabilities	\$ 15,060,344	\$ 10,522,377

The following table summarizes undiscounted future lease payments:

	June 30, 2020	December 31, 2019
Less than one year	\$ 2,053,771	\$ 1,362,139
One to five years	12,410,311	7,879,190
Greater than five years	30,032,296	27,009,732
Total undiscounted future lease payments	\$ 44,496,378	\$ 36,251,061

12) Lease Liabilities (Continued)

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019

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The following table summarizes lease-related cash flows for the six months ended June 30, 2020:

Principal repayment	\$	100,128
Interest		863,342
Non-lease components		154,627
Short-term leases		6,078
Total cash outflows	\$	1,124,175

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.

13) Share Capital

a) Authorized

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

	Number of Shares	
	2020	2019
Common shares		
Balance at January 1	82,427,619	73,324,460
Shares issued on exercise of RSUs	1,017,153	3,954,518
Shares issued on exercise of options	108,334	258,994
Shares issued on exercise of warrants	8,912,588	4,889,647
Total Common shares outstanding June 30, 2020 and December 31, 2019	92,465,694	82,427,619
Class A shares		
Balance at January 1	55,232,940	55,232,940
Shares issued on acquisition (Note 8)	3,940,932	-
Total Class A Shares outstanding June 30, 2020 and December 31, 2019	59,173,872	55,232,940
Balance June 30, 2020 and December 31, 2019	151,639,566	137,660,559

The Class A 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 preemptive 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.

13) Share Capital (Continued)

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019

Expressed in United States Dollars, unless otherwise indicated

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.

Six Months ended June 30, 2020

During the six months ended June 30, 2020 the Company issued 1,017,153 common shares on the exercise of Restricted Share Units that had vested during the period.

On January 17, 2020, the Company issued 75,000 common shares on the exercise of options that had a strike price of CAD\$0.80 per common share resulting in cash proceeds of \$45,966 (CAD\$60,000). The share price on January 17, 2020 was CAD\$2.32.

On January 17, 2020, the Company issued 33,334 common shares on the exercise of options that had a strike price of CAD\$1.55 per common share resulting in cash proceeds of \$37,064 (CAD\$51,668).

During the six months ended June 30, 2020, the Company issued 8,912,588 common shares to warrant holders who exercised 8,912,588 warrants resulting in cash proceeds of \$9,112,033 (CAD\$12,439,462), and the Company issued 3,940,932 Class A shares on the acquisition of Newtonian Principles, Inc. (Note 8).

Six Months ended June 30, 2019

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 CAD\$ \$0.80 per common share resulting in cash proceeds to the Company of \$9,024.

During the six months ended June 30, 2019, the Company issued 3,824,248 common shares to warrant holders who exercised 3,824,248 warrants resulting in cash proceeds of \$3,735,687.

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.

Six months ended June 30, 2020

No incentive stock options were granted during the period.

Six months ended June 30, 2019

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\$1.55 per common share for a period of five years from the grant date.

On June 30, 2019, the Company granted 22,500 incentive stock options to employees of the Company. These options are exercisable at a price of CAD\$2.60 per common share for a period of five years from the grant date

13) Share Capital (Continued)

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019

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The following table summarizes information about stock options outstanding as at June 30, 2020 and December 31, 2019:

Expiry date	Exercise Price	June-30	June-30	December 31,	December 31,
	CAD\$	Outstanding	Exercisable	2019	2019
June 11, 2021	\$0.80	100,000	100,000	175,000	175,000
June 11, 2023	\$0.80	282,674	139,332	282,674	139,332
July 31, 2023	\$0.75	20,000	11,667	20,000	11,667
January 7, 2024	\$1.55	33,334	-	66,668	33,334
June 30, 2024	\$2.60	22,500	7,500	22,500	7,500
July 4, 2022	\$2.65	100,000	75,000	100,000	50,000
		558,508	333,499	666,842	416,833

The employee options vest one third on the grant date and one third on the first and second anniversary of the grant date. The following assumptions were used to arrive at the value ascribed to the options issued using a Black-Scholes Option Pricing model for the period ended June 30, 2019 :

Assumption	January 7, 2019	June 30, 2019
Closing share price in CAD\$ the day prior to granting	\$1.55	\$2.60
Risk-free rate	1.87%	1.40%
Expected dividend yield	0.00%	0.00%
Expected volatility	110.41%	98.86%
Option life in years	5.00	5.00

No incentive stock options were granted during the period ended June 30, 2020.

Volatility was estimated by comparing the volatility of publicly traded companies that operate in the US cannabis market and the Company's own volatility over similar time periods of the expected life of the options granted. 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 six months ended June 30, 2020 was \$45,891 (\$129,891 for the six months ended June 30, 2019).

13) Share Capital (Continued)

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019

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

	June 30, 2020	Weighted Average CAD\$ Exercise price	December 31, 2019	Weighted Average CAD\$ Exercise price
Stock option activity				
Balance – beginning of year	666,842	\$1.22	790,002	\$0.80
Granted	-	-	222,500	\$2.15
Exercised	(108,334)	\$1.03	(258,994)	\$0.88
Expired	-	-	-	-
Forfeited	-	-	(86,666)	\$0.80
Balance – end of period	558,508	\$1.25	666,842	\$1.22

	June 30, 2020	December 31, 2019
The outstanding options have a weighted-average CAD\$ exercise price of:	\$1.25	\$1.22
The weighted average remaining life in years of the outstanding options is:	2.50	2.88

c) Warrants

The following table summarizes warrants outstanding at June 30, 2020:

Date of Issuance	Date of Expiry	CAD\$ Exercise Price	June 30, 2020 Outstanding	December 31, 2019 Outstanding
June 11, 2018	June 11, 2020	\$0.80	-	63,600
June 11, 2018	June 11, 2020 ¹	\$1.40	225,000	9,680,838
December 4, 2018	December 4, 2020	\$3.00	524,115	524,115
December 4, 2018	December 4, 2021	\$3.75	4,792,525	4,792,525
			5,541,640	15,061,078

¹ The Company had received cash proceeds for the exercise of these warrants as of June 11, 2020 but had not yet received the original Warrant Certificate. Subsequent to June 30, 2020 the Company has received all the necessary documentation and is waiting for the Company's transfer agent to issue the underlying shares.

	June 30, 2020	December 31, 2019
The outstanding warrants have a weighted-average CAD\$ exercise price of:	\$3.58	\$2.20
The weighted average remaining life in years of the outstanding warrants is:	1.28	0.93

13) Share Capital (Continued)

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019

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

Warrant activity	June 30,	Weighted	December 31,	Weighted
	2020	Average CAD\$	2019	Average CAD\$
	Number	Exercise price	Number	Exercise price
Balance – beginning of year	15,061,078	\$2.20	19,950,725	\$1.99
Exercised	(8,912,588)	\$1.40	(4,889,647)	\$1.33
Expired	(606,850)	\$1.40	-	-
Balance – end of the period	5,541,640	\$3.57	15,061,078	\$2.20

The Company received cash proceeds of \$9,112,033 from the exercise of warrants during the six months ended June 30, 2020. The Company reduced the carrying value of warrants by \$1,593,118 that was associated with the warrants that were exercised and reallocated this amount to common share capital.

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 January 1, 2020, the Company issued 50,000 Restricted Share Units under the RSU plan. The value ascribed to the RSUs issued was CAD\$2.57 per share, the closing share price of the Company’s common shares on December 31, 2019.

The Company issued 1,017,153 common shares on the exercise of 1,017,153 RSUs during the six months ended June 30, 2020 (1,922,786 common shares on the exercise of 1,922,786 RSUs during the six months ended June 30, 2019).

The following table summarizes the RSUs that are outstanding as at June 30, 2020:

Restricted Share Units (RSUs)	Share Price	June 30,	June 30,	December 31,	December 31,
Grant Date	on Grant Date	2020	2020	2019	2019
		Outstanding	Vested	Outstanding	Vested
June 11, 2018	CAD \$1.00	1,549,395	1,549,395	1,549,395	-
July 31, 2018	CAD\$0.75	8,334	-	8,334	-
June 30, 2019	CAD\$2.60	1,790,860	59,944	2,798,013	-
January 1, 2020	CAD\$2.52	33,333	-	-	-
		3,381,922	1,609,339	4,355,742	-

The Company recognized \$1,390,949 in share-based compensation expense attributable to RSUs vesting during the six months ended June 30, 2020 (\$981,724 for the six months ended June 30, 2019).

	June 30,	December 31,
	2020	2019
RSU Activity		
Balance – beginning of year	4,355,742	5,367,691
Granted to participants	50,000	3,259,624
Exercised	(1,017,153)	(3,954,518)
Cancelled	(6,667)	(317,055)
Balance – end of the period	3,381,922	4,355,742

14) General and Administrative Expenses

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019

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	For the three months ended		Percentage Change	For the six months ended		Percentage Change
	June 30,			June 30,		
	2020	2019		2020	2019	
Salaries and wages	\$ 2,059,394	\$ 1,774,400	16.1%	\$ 4,126,115	\$ 3,176,362	29.9%
Executive compensation	225,819	201,177	12.2%	505,060	386,163	30.8%
Licenses and permits	491,550	448,126	9.7%	994,988	727,713	36.7%
Payroll taxes and benefits	441,571	280,473	57.4%	919,472	739,196	24.4%
Supplies and office expenses	263,530	341,636	(22.9%)	368,490	705,982	(47.8%)
Subcontractors	277,854	378,431	(26.6%)	612,324	677,775	(9.7%)
Professional fees (legal, audit and other)	946,193	938,783	0.8%	1,743,605	1,687,508	3.3%
Miscellaneous general and administrative expenses	853,712	1,113,182	(23.3%)	1,812,083	1,915,729	(5.4%)
	<u>\$ 5,559,623</u>	<u>\$ 5,476,208</u>	1.5%	<u>\$ 11,082,137</u>	<u>\$ 10,016,428</u>	10.6%

15) Commitments and Contingencies

(a) Construction Commitments

At June 30, 2020, the Company had construction commitments outstanding of \$nil (December 31, 2019 - \$4,516,513) related to the build-out of the Company's Planet 13 cannabis entertainment complex.

(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 June 30, 2020, 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 June 30, 2020, 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 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.

15) Commitments and Contingencies (continued)

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019

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(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 \$100,000 to \$288,000.

16) Related party transactions

Related party transactions are summarized as follows:

(a) 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 six months ended June 30, 2020 and 2019:

	Six Months Ended June 30,	Remuneration or fees ⁽¹⁾	Share based payments ⁽¹⁾	Included in accounts payable ⁽¹⁾
Management compensation	2020	\$ 807,491	\$ 1,004,580	\$ -
	2019	712,264	1,691,253	-
Director compensation	2020	\$ -	\$ 137,307	\$ -
	2019	-	380,417	-

⁽¹⁾ Amounts disclosed were paid or accrued during the six months ended June 30, 2020 and 2019.

(b) 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-CEOs. Amounts paid to such company for rent for the six months ended June 30, 2020 and 2019 equaled \$12,020 and \$12,020, respectively. Amounts paid for printed marketing collateral and stationery items equaled \$97,738 and \$85,484 respectively for the six months ended June 30, 2020 and 2019. As at June 30, 2020 there was \$61,407 included in accounts payable that was owed to this related party.

17) 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 June 30, 2020 and December 31, 2019 all the Company's non-current assets were located in the United States.

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019

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18) 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 six months ended June 30, 2020 or the year ended December 31, 2019. The Company is not subject to externally imposed capital requirements.

19) Subsequent Events

On July 3, 2020, the Company issued 1,668,191 common shares on the exercise of 1,668,191 vested RSUs. The Company did not receive any proceeds on the exercise. The Company also issued 124,667 common share on the exercise of options that had vested and realized \$73,389 in cash proceeds on the exercise.

On July 3, 2020, the Company completed a bought deal financing for aggregate gross proceeds of \$8,493,808 (CAD\$11,521,850) at a price of CAD\$2.15 per unit. The Company issued 5,359,000 units of the Company. Each unit was comprised of one common share in the capital of the Company and one-half of one Common Share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of CAD\$2.85 per common share for a period of 24 months.

On July 17, 2020, the Company issued 1,374,833 common shares into escrow under the terms of the acquisition agreement with West Coast Developments Nevada, LLC for the acquisition of certain licenses, operating assets, equipment and tenant improvements for a 45,000 square foot indoor cultivation and production facility. The shares were valued at \$2,500,000 and will be released from escrow pending regulatory approval of the license transfer to Planet 13.

During the period July 1, 2020 and August 28, 2020, the Company issued 2,887,348 common shares on the exercise of warrants during the period and realized cash proceeds of \$6,894,809.

On August 21, 2020 the Company announced that a syndicate of underwriters co-led by Beacon Securities Limited and Canaccord Genuity Corp. agreed to purchase, on a bought deal basis, 5,410,000 units in the capital of the Company at a price of CAD\$3.70 per unit for aggregate gross proceeds to the Company of CAD\$20,017,000. Each unit consists of one common share in the capital of the Company and one-half of one common share purchase warrant of the Company. Each whole warrant shall entitle the holder thereof to acquire one common share at an exercise price per common share of CAD\$5.00 for a period of 24 months from the closing date of the offering, anticipated to be on or about September 10, 2020.

On July 31, 2020, the Nevada Tax Commission convened and approved the signed Nevada License Settlement and requested that the CCB, which had authority over Nevada-licensed cannabis businesses as of July 1, 2020, also convene and approve the settlement. On August 7, 2020, the CCB convened and approved the Nevada License Settlement. Pursuant to the Nevada License Settlement, the Corporation's subsidiary MMDC agreed to a release and waiver of its claims against the State of Nevada and the defendants in intervention, in return for MMDC receiving the provisional unincorporated Clark County adult-use dispensary license originally received by Nevada Organic Remedies in December, 2018. On August 25, 2020, the CCB conditionally approved the transfer of the license to MMDC, and at that same meeting also approved the transfer of the licenses from West Coast Development Nevada, LLC to MMDC. MMDC has met the conditions and is now waiting on the CCB to provide the licenses to MMDC. MMDC has also submitted to

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019

Expressed in United States Dollars, unless otherwise indicated

19) Subsequent Events (continued)

Clark County for a business license to re-open the Medizin dispensary location, which requires a public hearing by the Clark County Commission to re-issue a special use permit at the business location. Upon receipt of the special use permit and business license from Clark County the MMDC will re-open the Medizin dispensary location.