



**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 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 November 24, 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 September 30, 2020	As at December 31, 2019
Assets		
Current Assets		
Cash	\$ 56,760,860	\$ 12,814,712
HST receivable	63,860	16,544
Inventories (Note 5)	7,721,586	5,474,004
Biological assets (Note 6)	1,370,090	514,526
Prepaid expenses and other current assets (Note 10)	2,153,334	3,694,272
Total Current Assets	68,069,730	22,514,058
Property and equipment (Note 7)	31,638,285	30,211,154
Licenses (Note 8)	6,215,073	-
Right of use assets (Note 9)	18,520,944	9,478,733
Long-term deposits and other assets	1,031,352	694,601
	57,405,654	40,384,488
Total Assets	\$ 125,475,384	\$ 62,898,546
Liabilities		
Current Liabilities		
Accounts payable (Note 16)	\$ 2,095,692	\$ 864,260
Accrued expenses	3,026,090	1,910,046
Income taxes payable	12,356,301	7,015,606
Notes payable - current portion (Note 11)	884,000	884,000
Total Current Liabilities	18,362,083	10,673,912
Long-term lease liabilities (Note 12)	20,437,005	10,522,377
Other long-term liabilities	28,000	28,000
Deferred tax liability	467,486	379,665
	20,932,491	10,930,042
Total Liabilities	39,294,574	21,603,954
Shareholders' Equity		
Share capital (Note 13)	101,809,657	51,986,849
Restricted share units (Note 13)	2,719,357	4,119,485
Warrants (Note 13)	7,753,818	5,961,091
Option reserve (Note 13)	311,401	399,439
Accumulated other comprehensive loss	(812,650)	(607,707)
Deficit	(25,600,773)	(20,564,565)
Total Shareholders' Equity	86,180,810	41,294,592
Total Liabilities and Shareholders' Equity	\$ 125,475,384	\$ 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 INCOME (LOSS)

<i>Expressed in United States Dollars</i>	Three months Ended September 30, 2020	Three months Ended September 30, 2019	Nine months Ended September 30, 2020	Nine months Ended September 30, 2019
Revenue				
Revenues, net of discounts	\$ 22,797,338	\$ 16,696,932	\$ 50,351,336	\$ 47,054,712
Cost of Goods Sold	(9,821,561)	(6,820,706)	(23,620,446)	(20,040,750)
Gross Profit before fair value asset adjustment	12,975,777	9,876,226	26,730,890	27,013,962
Realized fair value amounts included in inventory sold	(961,235)	(562,461)	(1,482,428)	(805,604)
Unrealized fair value gain on growth of biological assets	457,166	510,170	1,257,134	676,503
Gross Profit	12,471,708	9,823,935	26,505,596	26,884,861
Expenses				
General and Administrative (Note 14)	6,198,121	4,902,355	17,280,258	14,918,783
Sales and Marketing	991,215	1,762,301	2,684,176	4,809,182
Depreciation and Amortization (Note 7 & 9)	1,076,774	680,056	3,103,847	1,945,186
Share-Based Compensation Expense (Note 13 and Note 16)	569,227	2,016,803	2,006,067	3,128,417
Total Expenses	8,835,337	9,361,515	25,074,348	24,801,568
Income (Loss) From Operations	3,636,371	462,420	1,431,248	2,083,293
Other Expense:				
Interest expense, net	438,687	314,389	1,291,949	902,544
Realized foreign exchange loss	-	(6,203)	-	(1,141)
Other income	(174,145)	(96,888)	(250,204)	(275,729)
Total Other Expense	264,542	211,298	1,041,745	625,674
Income (Loss) before income taxes	3,371,829	251,122	389,503	1,457,619
Provision for tax - current	2,620,603	2,172,429	5,340,695	5,889,961
Provision for tax - deferred	390,277	(198,954)	85,016	(351,177)
Income (Loss) for the Period	\$ 360,949	\$ (1,722,353)	\$ (5,036,208)	\$ (4,081,165)
Other Comprehensive Income				
Foreign exchange translation gain (loss)	(152,313)	28,932	(204,943)	219,821
Net Comprehensive Income (Loss) for the Period	\$ 208,636	\$ (1,693,421)	\$ (5,241,151)	\$ (3,861,344)
Income (Loss) per share for the Period				
Basic and diluted Income (loss) per share	\$0.00	(\$0.01)	(\$0.03)	(\$0.03)
Weighted Average Number of Common Shares Outstanding Basic and Diluted	162,536,424	135,503,007	144,932,087	133,098,596

PLANET 13 HOLDINGS INC.

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	3,855,518	3,216,392	-	(3,216,392)	-	-	-	-	-
Share based compensation - RSUs	-	-	-	2,886,928	-	-	-	-	2,886,928
Shares issued on exercise of warrants	3,920,897	4,696,491	-	-	(906,229)	-	-	-	3,790,262
Shares issued on exercise of options	258,994	340,545	-	-	-	(165,071)	-	-	175,474
Share based compensation - options	-	-	-	-	-	241,489	-	-	241,489
Cumulative foreign exchange gain	-	-	-	-	-	-	219,822	-	219,822
Net loss for the period	-	-	-	-	-	-	-	(4,081,165)	(4,081,165)
Balance September 30, 2019	136,592,809	45,095,133	5,619,119	2,470,871	6,140,614	382,308	(583,098)	(17,987,397)	41,137,550
Shares issued on exercise of RSUs	99,000	28,625	-	(28,625)	-	-	-	-	-
Share based compensation - RSUs	-	-	-	1,677,239	-	-	-	-	1,677,239
Shares issued on exercise of warrants	968,750	1,243,972	-	-	(179,523)	-	-	-	1,064,449
Shares issued on exercise of options	-	-	-	-	-	-	-	-	-
Share based compensation - options	-	-	-	-	-	17,131	-	-	17,131
Cumulative foreign exchange (loss)	-	-	-	-	-	-	(24,609)	-	(24,609)
Net loss for the period	-	-	-	-	-	-	-	(2,577,168)	(2,577,168)
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 for acquisition	1,374,833	2,918,277	-	-	-	-	-	-	2,918,277
Shares issued on exercise of RSUs	2,685,344	3,354,962	-	(3,354,962)	-	-	-	-	-
Share based compensation - RSUs	-	-	-	1,954,834	-	-	-	-	1,954,834
Shares issued on exercise of warrants	12,320,368	20,109,919	-	-	(3,324,795)	-	-	-	16,785,124
Share issuance on exercise of options	233,001	295,690	-	-	-	(139,271)	-	-	156,419
Share based compensation - options	-	-	-	-	-	51,233	-	-	51,233
Shares issued on financings	11,580,500	18,690,129	-	-	5,117,522	-	-	-	23,807,651
Cumulative foreign exchange gain	-	-	-	-	-	-	(204,943)	-	(204,943)
Net loss for the period	-	-	-	-	-	-	-	(5,036,208)	(5,036,208)
Balance September 30, 2020	169,795,537	\$ 91,736,707	\$ 10,072,950	\$ 2,719,357	\$ 7,753,818	\$ 311,401	\$ (812,650)	\$ (25,600,773)	\$ 86,180,810

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>Expressed in United States Dollars</i>	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Operating activities		
Net loss for the period	\$ (5,036,208)	\$ (4,081,165)
Add (deduct) non-cash items:		
Share based payments (Note 13)	2,006,067	3,128,417
Depreciation and amortization (Note 7 & 9)	4,451,334	2,417,847
Deferred tax liability	87,821	(198,954)
Deferred tax asset	-	-
Realized fair value amounts included in inventory sold	-	(759,856)
Non-cash interest expense on ROU Liabilities (Note 12)	1,769,500	-
Net change in non-cash working capital		
HST receivable	(47,316)	77,473
Inventories (Note 5)	(2,247,582)	422,949
Biological assets (Note 6)	(855,564)	380,263
Prepaid expenses and other assets (Note 10)	1,540,938	(3,226,185)
Long term deposits and other assets	(336,751)	(85,000)
Accounts payable	1,231,431	2,832,431
Accrued expenses	1,116,045	559,030
Income tax payable	5,340,695	5,737,738
Other liabilities	-	407,593
Cash flow provided by operating activities	9,020,410	7,612,581
Investing activities		
Purchase of property, plant and equipment (Note 7)	(3,101,240)	(12,682,554)
Purchase of license (Note 8)	(1,053,353)	-
Cash flow used in investing activities	(4,154,593)	(12,682,554)
Financing activities		
Issuance of shares on warrant and option exercises (Note 13)	16,941,543	3,965,736
Issuance of shares and warrants on financings	23,807,651	-
Payment on lease liabilities	(1,463,920)	(50,614)
Cash flow provided by financing activities	39,285,274	3,915,122
Net increase in cash	44,151,091	(1,154,851)
Cash at beginning of the period	12,814,712	19,364,086
Effect of foreign exchange on cash	(204,943)	(106,122)
Cash at end of the period	\$ 56,760,860	\$ 18,103,113

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>Expressed in United States Dollars (unaudited)</i>	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Supplemental Disclosure of Cash Flow		
Cash paid during the period for:		
Interest	\$ 1,736,350	\$ 988,278
Income taxes	\$ -	\$ -
Non-cash activities		
Carrying value of warrants exercised	\$ 3,324,795	\$ 906,229
Carrying value of RSUs exercised	\$ 3,354,962	\$ 3,072,434
Carrying value of options exercised	\$ 139,271	\$ 162,572
Licenses and intangible assets	\$ 5,161,720	\$ -
Lease Liabilities	\$ (9,609,048)	\$ (10,452,523)
Right of Use Assets	\$ 9,609,048	\$ 9,646,944

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 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 six licenses for cultivation (three medical and three recreational), six licenses for production (three medical and three recreational), and three dispensary licenses (one medical license and two recreational licenses). In addition, the Company holds one recreational dispensary licence in the city of Santa Ana, California.

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 November 24, 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 NINE MONTHS ENDED SEPTEMBER 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 nine months ended September 30, 2020 include the financial position, results of operations and cash flows of the Company and its subsidiaries. The Company's subsidiaries as at September 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 CBD 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 nine months ended September 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.

PLANET 13 HOLDINGS INC.

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

Expressed in United States Dollars, unless otherwise indicated

4) Financial instruments and risk management

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 September 30, 2020:

Amortized cost	September 30, 2020		December 31, 2019	
	Fair Value	Carrying value	Fair Value	Carrying value
Financial Assets:				
Cash	\$ 56,760,860	\$ 56,760,860	\$ 12,814,712	\$ 12,814,712
Financial Liabilities				
Accounts Payable	\$ 2,095,692	\$ 2,095,692	\$ 864,260	\$ 864,260
Accrued expenses	3,026,090	3,026,090	1,910,046	1,910,046
Total	\$ 6,005,782	\$ 6,005,782	\$ 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

PLANET 13 HOLDINGS INC.

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

Expressed in United States Dollars, unless otherwise indicated

4) Financial instruments and risk management (Continued)

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 September 30, 2020, is as follows:

US Dollar amounts of foreign currency assets and liabilities		
	Assets	Liabilities
Canadian Dollars	\$5,710,353	\$148,586

Based on the financial instruments held as at September 30, 2020, the Company's other comprehensive loss would have changed by \$378,894 had the US dollar shifted by 10% as a result of foreign exchange effect on translation of non-US dollar denominated financial instruments.

At September 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 September 30, 2020				
	<1 Year	1 to 5 Years	Thereafter	Total
Accounts Payable	\$ 2,095,692	\$ -	\$ -	\$ 2,095,692
Accrued expenses	\$ 3,026,090	\$ -	\$ -	\$ 3,026,090
Income taxes payable	\$ 12,356,301	\$ -	\$ -	\$ 12,356,301
Notes Payable	\$ 884,000	\$ -	\$ -	\$ 884,000
Lease liabilities	\$ 3,031,719	\$ 16,745,810	\$ 39,624,093	\$ 59,401,622

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.

PLANET 13 HOLDINGS INC.

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

Expressed in United States Dollars, unless otherwise indicated

4) Financial instruments and risk management (Continued)

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:

	September 30, 2020	December 31, 2019
Raw Material		
Harvested Cannabis	\$ 2,302,803	\$ 960,475
Packaging and miscellaneous	670,463	500,109
Total Raw Material	2,973,266	1,460,584
Work in Process	1,812,020	1,641,922
Finished Goods	2,936,300	2,371,498
Total Inventories	\$ 7,721,586	\$ 5,474,004

During the three months ended September 30, 2020 the Company recognized \$9,821,561 (2019 - \$6,820,706) of inventory expensed to cost of goods sold (\$23,620,446 for the nine months ended September 30, 2020 and \$20,040,750 for the nine months ended September 30, 2019).

6) Biological Assets

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

	September 30, 2020	December 31, 2019
Beginning balance	\$ 514,526	\$ 915,177
Biological assets acquired	326,592	-
Production costs capitalized	2,719,470	2,437,980
Net change in fair value less costs to sell due to biological transformation	1,512,764	1,020,784
Transferred to inventory upon harvest	(3,703,262)	(3,859,415)
Ending balance	\$ 1,370,090	\$ 514,526

PLANET 13 HOLDINGS INC.

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

Expressed in United States Dollars, unless otherwise indicated

6) Biological Assets (Continued)

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 nine months ended September 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 106 grams per plant for 2020 (2019 – 91 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 \$4.73 per gram in 2020 (nine months September 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:

	September 30, 2020	September 30, 2019	10% change as at	
			September 30, 2020	September 30, 2019
Stage of growth	39.10%	49.80%	\$ 134,601	\$ 46,407
Yield by plant	91 grams	106 grams	344,000	93,265
Survival rate	87.10%	89.70%	299,596	83,682
Wholesale Selling price	\$4.73	\$5.08	137,009	53,384

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7) Property and Equipment

	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	-	-	1,782,190	1,949,141	1,792,969	5,524,300
Transfers & disposals	-	-	127,468	1,242,871	(1,583,011)	(212,672)
At September 30, 2020	\$ 625,146	\$ 1,698,077	\$ 5,984,743	\$ 30,286,571	\$ 1,988,241	\$ 40,582,778
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	38,396	31,839	752,035	3,064,703	-	3,886,973
Transfers & disposals	-	-	(2,476)	-	-	(2,476)
At September 30, 2020	\$ 115,133	\$ 193,097	\$ 1,992,504	\$ 6,643,759	\$ -	\$ 8,944,493
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 September 30, 2020	\$ 510,013	\$ 1,504,980	\$ 3,992,239	\$ 23,642,812	\$ 1,988,241	\$ 31,638,285

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

For the nine months ended September 30, 2020, depreciation expense was \$3,886,973 (2019- \$1,950,665) of which \$1,167,206 (2019 - \$429,832) was included in cost of goods sold.

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8) Licenses

	Retail Dispensary Santa Ana	Cultivation and Production Clark County	Total
Cost			
Balance at December 31, 2018 and 2019	\$ -	\$ -	\$ -
Additions	5,507,184	707,889	6,215,073
Balance at September 30, 2020	\$ 5,507,184	\$ 707,889	\$ 6,215,073
Accumulated Depreciation			
Balance at December 31, 2018 and 2019	\$ -	\$ -	\$ -
Amortization	-	-	-
Balance at September 30, 2020	\$ -	\$ -	\$ -
Net book value			
At December 31, 2018 and 2019	\$ -	\$ -	\$ -
At September 30, 2020	\$ 5,507,184	\$ 707,889	\$ 6,215,073

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 \$53,353 in cash payments and other costs directly related to the acquisition of the Newtonian Principles Inc. underlying cannabis license. Total cash payments and capitalized costs were \$1,053,353. 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.

On July 17, 2020, the Company entered into an asset purchase agreement with West Coast Developments Nevada, LLC and W The Brand, LLC (together "WCDN") pursuant to which the Company acquired cannabis inventory, equipment and tenant improvements located in a 25,000 square foot facility located at 4801 West Bell Drive, Las Vegas Nevada. The purchase price for the consisted of \$1,656,667 in cash and the issuance of 1,374,833 common shares in the capital of the Company valued at \$2,916,988 (CAD\$3,959,519, CAD\$2.88 per share based on the closing price of the Company's common shares as listed on the Canadian Securities Exchange on July 17, 2020). The Company also and incurred additional cash costs of \$50,000. The acquisition was accounted for as an asset purchase as the collection of assets that were acquired was deemed to not be a business under IFRS 3. The Company allocated the cash payments to the cannabis inventory based on the fair market value of the assets acquired, allocated \$2,282,635 to the fixed assets acquired based on the fair value of the equipment purchased and allocated the remaining \$707,889 in value to the cannabis licenses acquired. The Company acquired two cultivation licenses (one medical and one recreational), two production licenses (one medical and one recreational) and one conditional distribution license. The transaction was scheduled to close in two parts, the first closing being cash transferred for the equipment and cannabis inventory which occurred on July 17, 2020, and the second closing (the "Second Closing") being contingent on the approval to transfer the license and receipt of the cultivation and production licenses from the State of Nevada's Cannabis Control Board

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(“CCB”). On August 25, 2020, the CCB conditionally approved the transfer of the cultivation and production licenses to MMDC, and on September 3, 2020 the Company received the cultivation and production licenses pursuant to a letter from the CCB. By way of an October 10, 2020 letter from the CCB, the Company received a conditional distribution license from WCDN.

On September 11, 2020, the Company on mutually agreed with WCDN that the receipt by the Company of a business license issued by unincorporated Clark County which would permit the Company to conduct business in Clark County (the “**Clark County Business License**”) was a necessary condition precedent to the Second Closing. As a result, the Second Closing will occur, and the 1,374,833 common shares in the Capital of the Company shall be released from escrow to WCDN, upon the Company receiving a Clark County Business License, which application was submitted on September 10, 2020 by the Company. The Clark County business license held by WCDN remains in place until the Clark County Business License is received by the Company, allowing for the operation of the assets acquired pursuant to the first closing of the WCDN Acquisition to continue until such time as Clark County has issued the Clark County Business License to the Company.

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9) 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	2,031,486	-	2,031,486
Balance at December 31, 2019	\$ 9,965,389	\$ 148,736	\$ 10,114,125
Additions	9,609,048	-	9,609,048
Balance at September 30, 2020	\$ 19,574,437	\$ 148,736	\$ 19,723,173
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	528,232	38,605	566,837
Balance at September 30, 2020	\$ 1,112,151	\$ 90,078	\$ 1,202,229
Net book value			
At December 31, 2019	\$ 9,381,470	\$ 97,263	\$ 9,478,733
At September 30, 2020	\$ 18,462,286	\$ 58,658	\$ 18,520,944

For the nine months ended September 30, 2020 depreciation expense was \$566,837 (2019- \$467,181) of which \$182,757 (2019 - \$42,829) was included in cost of goods sold.

10) Prepaid expenses and other current assets

	September 30, 2020	December 31, 2019
Advertising and marketing	\$ 33,500	\$ 63,808
Security deposits	815,127	2,210,249
Funds awaiting settlement	1,745	481,214
Merchandise	817	3,268
Taxes receivable	37,163	81,948
Accounts receivable	402,039	214,964
Prepaid rent	266,375	-
D&O Insurance	229,086	138,400
Health insurance	173,969	218,131
Licenses	37,480	121,752
Miscellaneous	156,033	160,538
Total	\$ 2,153,334	\$ 3,694,272

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11) Notes Payable

Notes payable consist of the following:

Non-related parties

	September 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 September 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.

	September 30, 2020	December 31, 2019
Total lease liabilities	\$ 20,437,005	\$ 10,522,377

The following table summarizes undiscounted future lease payments:

	September 30, 2020	December 31, 2019
Less than one year	\$ 3,031,719	\$ 1,362,139
One to five years	16,745,810	7,879,190
Greater than five years	39,624,093	27,009,732
Total undiscounted future lease payments	\$ 59,401,622	\$ 36,251,061

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12) Lease Liabilities (Continued)

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

Principal repayment	\$ 144,641
Interest	1,459,031
Non-lease components	252,217
Short-term leases	17,154
Total cash outflows	<u>\$ 1,873,043</u>

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	2,685,344	3,954,518
Shares issued on exercise of options	233,001	258,994
Shares issued on exercise of warrants	12,320,368	4,889,647
Shares issued on financings	11,580,500	-
Shares issued on acquisition (Note 8)	1,374,833	-
Total Common shares outstanding September 30, 2020 and December 31, 2019	110,621,665	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 September 30, 2020 and December 31, 2019	59,173,872	55,232,940
Balance September 30, 2020 and December 31, 2019	169,795,537	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.

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13) Share Capital (Continued)

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.

Nine Months ended September 30, 2020

During the nine months ended September 30, 2020 the Company issued 2,685,344 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).

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).

On May 20, 2020, the Company issued 3,940,932 Class A restricted shares on the acquisition of Newtonian Principles Inc. (Note 8). The shares were valued at \$4,453,832 (CAD\$6,187,263, CAD\$1.57 per share based on the closing price of the Company's shares as listed on the Canadian Securities Exchange on May 20, 2020.)

On July 3, 2020, the Company issued 8,333 common shares on the exercise of options that had a strike price of \$0.75 resulting in cash proceeds to the Company of \$4,618 (CAD\$6,249).

On July 3, 2020, the Company issued 116,334 common shares on the exercise of options that had a strike price of CAD\$0.80 resulting in cash proceeds to the Company of \$68,771 (CAD\$93,066).

On July 17, 2020, the Company 1,374,833 common shares on the acquisition of cultivation and production assets and cannabis licenses. The shares were valued at \$2,916,988 (CAD\$3,959,519, CAD\$2.88 per share based on the closing price of the Company's common shares as listed on the Canadian Securities Exchange on July 17, 2020) (Note 8)

During the nine months ended September 30, 2020, the Company issued 12,320,368 common shares to warrant holders who exercised 12,320,368 warrants resulting in cash proceeds of \$16,785,124 (CAD\$22,608,764), the Company issued 3,940,932 Class A shares on the acquisition of Newtonian Principles, Inc. (Note 8) and the Company issued 1,374,833 on July 17, 2020 on the acquisition of certain assets related to the acquisition of a cultivation and production facility and the related cannabis licenses in Clark County, Nevada.

Nine Months ended September 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 nine months ended September 30, 2019, the Company issued 3,920,897 common shares to warrant holders who exercised 3,920,897 warrants resulting in cash proceeds of \$3,790,262 (CAD\$5,214,625).

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.

Nine months ended September 30, 2020

No incentive stock options were granted during the period.

Nine months ended September 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.

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13) Share Capital (Continued)

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

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

Expiry date	Exercise Price CAD\$	September-30 2020 Outstanding	September-30 2020 Exercisable	December 31, 2019 Outstanding	December 31, 2019 Exercisable
June 11, 2021	\$0.80	100,000	100,000	175,000	175,000
June 11, 2023	\$0.80	166,340	139,332	282,674	139,332
July 31, 2023	\$0.75	11,667	11,667	20,000	11,667
January 7, 2024	\$1.55	33,334	-	66,668	33,334
June 30, 2024	\$2.60	22,500	15,000	22,500	7,500
July 4, 2022	\$2.65	100,000	100,000	100,000	50,000
		433,841	365,999	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 nine months ended September 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 nine months ended September 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 nine months ended September 30, 2020 was \$51,233 (\$241,489 for the nine months ended September 30, 2019).

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13) Share Capital (Continued)

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

	September 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	(233,001)	\$0.91	(258,994)	\$0.88
Expired	-	-	-	-
Forfeited	-	-	(86,666)	\$0.80
Balance – end of period	433,841	\$1.38	666,842	\$1.22

	September 30, 2020	December 31, 2019
The outstanding options have a weighted-average CAD\$ exercise price of:	\$1.38	\$1.22
The weighted average remaining life in years of the outstanding options is:	2.12	2.88

c) Warrants

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

Date of Issuance	Date of Expiry	CAD\$ Exercise Price	September 30, 2020 Outstanding	December 31, 2019 Outstanding
June 11, 2018	June 11, 2020	\$0.80	-	63,600
June 11, 2018	June 11, 2020	\$1.40	-	9,680,838
December 4, 2018	December 4, 2020	\$3.00	196,446	524,115
December 4, 2018	December 4, 2021	\$3.75	3,854,425	4,792,525
July 3, 2020	July 3, 2022	\$2.85	919,721	-
July 3, 2020	July 3, 2022	\$2.15	164,308	-
September 10, 2020	September 10, 2022	\$5.00	3,110,750	-
September 10, 2020	September 10, 2022	\$3.70	373,290	-
			8,618,940	15,061,078

	September 30, 2020	December 31, 2019
The outstanding warrants have a weighted-average CAD\$ exercise price of:	\$4.06	\$2.20
The weighted average remaining life in years of the outstanding warrants is:	1.58	0.93

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13) Share Capital (Continued)

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

Warrant activity	September 30, 2020 Number	Weighted Average CAD\$ Exercise price	December 31, 2019 Number	Weighted Average CAD\$ Exercise price
Balance – beginning of year	15,061,078	\$2.20	19,950,725	\$1.99
Issued	6,485,080	\$3.08	-	-
Exercised	(12,320,368)	\$1.40	(4,889,647)	\$1.33
Expired	(606,850)	\$1.40	-	-
Balance – end of the period	8,618,940	\$4.06	15,061,078	\$2.20

The Company received cash proceeds of \$16,785,124 (CAD\$22,608,764) from the exercise of warrants during the nine months ended September 30, 2020. The Company reduced the carrying value of warrants by \$3,324,795 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 2,685,344 common shares on the exercise of 2,685,344 RSUs during the nine months ended September 30, 2020 (3,855,518 common shares on the exercise of 3,855,518 RSUs during the nine months ended September 30, 2019).

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

Restricted Share Units (RSUs)	Share Price	September 30, 2020	September 30, 2020	December 31, 2019	December 31, 2019
Grant Date	on Grant Date	Outstanding	Vested	Outstanding	Vested
June 11, 2018	CAD \$1.00	-	-	1,549,395	-
July 31, 2018	CAD\$0.75	-	-	8,334	-
June 30, 2019	CAD\$2.60	1,730,916	-	2,798,013	-
January 1, 2020	CAD\$2.52	33,334	-	-	-
		1,764,250	-	4,355,742	-

The Company recognized \$1,954,834 in share-based compensation expense attributable to RSUs vesting during the nine months ended September 30, 2020 (\$2,886,928 for the nine months ended September 30, 2019).

RSU Activity	September 30, 2020	December 31, 2019
Balance – beginning of year	4,355,742	5,367,691
Granted to participants	100,518	3,259,624
Exercised	(2,685,344)	(3,954,518)
Cancelled	(6,666)	(317,055)
Balance – end of the period	1,764,250	4,355,742

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14) General and Administrative Expenses

	For the three months ended September 30,		Percentage Change	For the nine months ended September 30,		Percentage Change
	2020	2019		2020	2019	
Salaries and wages	\$ 2,420,126	\$ 1,787,311	35.4%	\$ 6,546,241	\$ 4,963,673	31.9%
Executive compensation	392,142	201,791	94.3%	897,203	587,954	52.6%
Licenses and permits	301,707	491,784	(38.7%)	1,296,695	1,219,497	6.3%
Payroll taxes and benefits	451,497	395,340	14.2%	1,370,969	1,134,536	20.8%
Supplies and office expenses	275,107	248,880	10.5%	641,796	954,862	(32.8%)
Subcontractors	444,175	309,241	43.6%	1,056,499	933,388	13.2%
Professional fees (legal, audit and other)	848,726	566,091	49.9%	2,592,331	2,253,600	15.0%
Miscellaneous general and administrative expenses	1,064,641	901,917	18.0%	2,878,524	2,871,273	0.3%
	<u>\$ 6,198,121</u>	<u>\$ 4,902,355</u>	26.4%	<u>\$ 17,280,258</u>	<u>\$ 14,918,783</u>	15.8%

15) Commitments and Contingencies

(a) Construction Commitments

At September 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 September 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 September 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.

PLANET 13 HOLDINGS INC.

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

Expressed in United States Dollars, unless otherwise indicated

15) Commitments and Contingencies (continued)

(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 nine months ended September 30, 2020 and 2019:

	Nine Months Ended September 30,	Remuneration or fees ⁽¹⁾	Share based payments ⁽¹⁾	Included in accounts payable ⁽¹⁾
Management compensation	2020	\$ 1,194,466	\$ 1,404,237	\$ 8,176
	2019	1,085,723	970,035	-
Director compensation	2020	\$ -	\$ 199,254	\$ -
	2019	-	248,713	-

⁽¹⁾ Amounts disclosed were paid or accrued during the nine months ended September 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 nine months ended September 30, 2020 and 2019 equaled \$18,030 and \$18,030, respectively. Amounts paid for printed marketing collateral and stationery items equaled \$146,047 and \$169,513 respectively for the nine months ended September 30, 2020 and 2019. As at September 30, 2020 there was \$50,829 included in accounts payable that was owed to this related party.

A company owned by one of the Company's executives pays the Company for storage space. Amounts paid to the Company for storage space equaled \$16,600 for the nine months ended September 30, 2020 (2019 – nil).

The Company leases a cultivation facility from an entity owned by the Company's co-CEOs. Rents paid for this facility for the nine months ended September 30, 2020 equaled \$215,069 (2019 – nil).

PLANET 13 HOLDINGS INC.

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

Expressed in United States Dollars, unless otherwise indicated

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

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 nine months ended September 30, 2020 or the year ended December 31, 2019. The Company is not subject to externally imposed capital requirements.

19) Subsequent Events

On November 5, 2020, the Company completed a bought deal financing for aggregate gross proceeds of \$22,055,608 (CAD\$28,804,625). A total of 6,698,750 units of the Company were issued at a price of CAD\$4.30 per unit. Each unit consists of one common share in the capital of the Company and one-half (1/2) of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of CAD\$5.80 for a period of 24 months from the closing of the financing.

During the period from October 1, 2020 to November 24, 2020, the Company issued 429,890 common shares on the exercise of warrants during the period and realized cash proceeds of \$1,215,482 (CAD\$1,595,168).

During the period October 1, 2020 to November 24, 2020, the Company issued 100,000 common shares in the exercise of options during the period and realized cash proceeds of \$60,894 (CAD\$80,000.)

On November 20, 2020, the Company announced that it had reopened the Medizin dispensary located at 4850 Sunset Rd, Las Vegas, Nevada.