



UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021

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.

These financial statements for Planet 13 Holdings Inc. are also included in the Form 10-Q for the quarter ended June 30, 2022, filed on SEDAR on August 15, 2022, in its entirety.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

PLANET 13 HOLDINGS INC.
Interim Condensed Consolidated Balance Sheets
(Unaudited, In United States Dollars)

	June 30, 2022	December 31, 2021
ASSETS		
Current Assets:		
Cash	\$ 52,615,324	\$ 61,588,843
Accounts Receivable	1,540,388	1,216,128
Inventory	14,187,222	14,225,369
Prepaid Expenses and Other Current Assets	2,946,572	3,977,524
Total Current Assets	71,289,506	81,007,864
Property and Equipment	70,362,038	50,778,277
Intangible Assets	68,898,007	63,398,007
Goodwill	35,621,853	-
Right of Use Assets - Operating	21,062,083	20,399,965
Long-term Deposits and Other Assets	1,019,629	1,061,879
Deferred Tax Asset	190,432	162,804
TOTAL ASSETS	\$ 268,443,548	\$ 216,808,796
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,339,434	\$ 3,266,783
Accrued Expenses	6,202,535	7,032,620
Income Taxes Payable	89,272	1,126,249
Notes Payable - Current Portion	884,000	884,000
Operating Lease Liabilities	418,443	423,573
Total Current Liabilities	9,933,684	12,733,225
Long-Term Liabilities:		
Operating Lease Liabilities	25,142,176	23,134,012
Warranty Liability	423,573	7,206,049
Other Long-term Liabilities	28,000	28,000
Total Liabilities	35,527,433	43,101,286
Shareholders' Equity		
Common Shares, par value, unlimited Common Shares authorized, 220,146,277 issued and outstanding at June 30, 2022 and 198,687,950 at December 31, 2021	-	-
Additional Paid-In Capital	309,170,905	245,861,704
Retained Earnings (Deficit)	(76,254,790)	(72,154,194)
Total Shareholders' Equity	232,916,115	173,707,510
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 268,443,548	\$ 216,808,796

On behalf of the Board:

Michael Harman

/s/ Michael Harman

Director

Adrienne O'Neal

/s/ Adrienne O'Neal

Director

PLANET 13 HOLDINGS INC.
Interim Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited, in United States Dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenues, net of discounts	\$ 28,412,230	\$ 32,843,588	\$ 54,106,625	\$ 56,659,796
Cost of Goods Sold	<u>(14,587,723)</u>	<u>(13,837,469)</u>	<u>(27,381,114)</u>	<u>(24,618,950)</u>
Gross Profit	13,824,507	19,006,119	26,725,511	32,040,846
Expenses:				
General and Administrative	12,011,053	16,385,722	25,497,743	24,360,538
Sales and Marketing	887,436	1,543,406	1,490,678	2,203,355
Lease Expense	779,050	647,932	1,260,297	1,260,258
Depreciation	<u>1,963,937</u>	<u>984,407</u>	<u>4,003,989</u>	<u>1,949,003</u>
Total Expenses	15,641,476	19,561,467	32,252,707	29,773,154
Income (Loss) From Operations	(1,816,969)	(555,348)	(5,527,196)	2,267,692
Other Income (Expense):				
Interest income (expense), net	45,258	(9,544)	72,611	(16,702)
Foreign exchange gain (loss)	74,543	896,630	(21,166)	1,726,265
Transaction costs	-	-	-	(256,666)
Change in fair value of warrant liability	2,635,425	(3,063,643)	6,795,234	(9,251,173)
Other Income, net	<u>(85,698)</u>	<u>123,527</u>	<u>228,767</u>	<u>186,424</u>
Total Other Income	2,669,528	(2,053,030)	7,075,446	(7,611,852)
Income (Loss) Before Provision for Income Taxes	852,559	(2,608,378)	1,548,250	(5,344,160)
Provision For Income Taxes				
Current Tax Expense	(2,908,359)	(3,081,017)	(5,676,474)	(6,445,727)
Deferred Tax Recovery	16,275	124,677	27,628	210,740
	<u>(2,892,084)</u>	<u>(2,956,340)</u>	<u>(5,648,846)</u>	<u>(6,234,987)</u>
Loss and Comprehensive Loss for the Period	\$ (2,039,525)	\$ (5,564,718)	\$ (4,100,596)	\$ (11,579,147)
Loss per Share				
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>	<u>\$ (0.02)</u>	<u>\$ (0.06)</u>
Weighted Average Number of Common Shares				
Basic and diluted	<u>220,088,004</u>	<u>196,292,786</u>	<u>212,869,574</u>	<u>193,550,424</u>

PLANET 13 HOLDINGS INC.
Interim Condensed Consolidated Statements of Changes in Shareholders' Equity
(Unaudited, in United States Dollars, except Share Amounts)

	Number of			Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
	Common Shares	Class A Restricted Shares	Warrants			
Balance, January 1, 2021	126,573,250	55,232,940	150,963	\$ 159,399,056	\$ (52,693,242)	\$ 106,705,814
Shares Issued on Settlement of RSUs	855,858	-	-	-	-	-
Share based Compensation - RSUs	-	-	-	5,594,617	-	5,594,617
Shares Issued on Exercise of Broker Warrants	446,801	-	(446,801)	2,720,007	-	2,720,007
Shares Issued on Exercise of Other Warrants	3,312,139	-	-	20,304,828	-	20,304,828
Shares Issued on Exercise of Options	109,669	-	-	86,216	-	86,216
Share Based Compensation - Options	-	-	-	3,104	-	3,104
Shares Issued on Bought Deal Financings, net	9,861,250	-	591,676	47,729,735	-	47,729,735
Loss for the Period	-	-	-	-	(11,579,147)	(11,579,147)
Balance, June 30, 2021	<u>141,158,967</u>	<u>55,232,940</u>	<u>295,838</u>	<u>\$ 235,837,563</u>	<u>\$ (64,272,389)</u>	<u>\$ 171,565,174</u>
Balance, January 1, 2022	198,687,950	-	295,838	245,861,704	(72,154,194)	173,707,510
Share based Compensation - RSUs	-	-	-	4,116,573	-	4,116,573
Shares Issued on Acquisition	21,361,002	-	-	57,854,830	-	57,854,830
Replacement Options issued on acquisition	-	-	-	1,239,818	-	1,239,818
Shares Issued on Exercise of Options	97,325	-	-	97,980	-	97,980
Loss for the Period	-	-	-	-	(4,100,596)	(4,100,596)
Balance, June 30, 2022	<u>220,146,277</u>	<u>-</u>	<u>295,838</u>	<u>\$ 309,170,905</u>	<u>\$ (76,254,790)</u>	<u>\$ 232,916,115</u>

PLANET 13 HOLDINGS INC.
Interim Condensed Consolidated Statements of Cash Flows
(Unaudited, In U.S. Dollars)

	Six Months Ended	
	June 30, 2022	June 30, 2021
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net loss	\$ (4,100,596)	\$ (11,579,147)
Adjustments for items not involving cash:		
Shared based compensation expense	4,116,573	5,597,721
Non-cash lease expense	1,799,593	435,057
Depreciation	5,316,191	1,949,003
Amortization of lease incentive	(260,987)	-
Change in fair value of warrant liability	(6,795,234)	9,251,173
Loss on translation of warrant liability	12,758	282,714
Transaction costs	-	256,666
Deferred tax liability	-	(31,129)
Proceeds from lease incentive	1,000,000	-
Unrealized gain on foreign currency exchange	-	48,924
	<u>1,088,298</u>	<u>6,210,982</u>
Net Changes in Non-cash Working Capital Items	1,848,718	(1,878,599)
Repayment of lease liabilities	(1,751,380)	(435,057)
Total Operating	<u>1,185,636</u>	<u>3,897,326</u>
FINANCING ACTIVITIES		
Proceeds from private placements	-	53,852,980
Proceeds from exercise of warrants and options	97,980	14,155,679
Financing issuance expenses	-	(3,494,930)
Total Financing	<u>97,980</u>	<u>64,513,729</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(11,737,742)	(11,486,978)
Cash acquired through NGW acquisition	1,478,698	-
Total Investing	<u>(10,259,044)</u>	<u>(11,486,978)</u>
Effect of foreign exchange on cash	1,909	361,901
NET CHANGE IN CASH DURING THE YEAR	(8,973,519)	57,285,978
CASH		
Beginning of Period	<u>61,588,843</u>	<u>79,000,850</u>
End of Period	<u>\$ 52,615,324</u>	<u>\$ 136,286,828</u>

PLANET 13 HOLDINGS INC.

**Notes to the Interim Condensed Consolidated Financial Statements
(Unaudited, in United States Dollars, except share amounts)**

1. Nature of operations

Planet 13 Holdings Inc. (“**Planet 13**” or the “**Company**”) was incorporated under the Canada Business Corporations Act on April 26, 2002 and continued under the British Columbia Business Corporations Act on September 24, 2019.

The Company is a vertically integrated cultivator and provider of cannabis and cannabis-infused products that is licensed under the laws of the States of Nevada, California, and Florida with a license lottery win-result in Illinois. The Company is licensed in these jurisdictions as follows: six Nevada licenses for cultivation (three medical and three adult-use), six Nevada licenses for production (three medical and three adult-use), three Nevada dispensary licenses (one medical and two adult-use), two Nevada licenses for distribution (one active, one conditional), one adult-use dispensary license in California, one distribution license in California, one Medical Marijuana Treatment Center license in Florida (unlimited medical dispensaries, cultivation and processing) and one lottery win for an adult-use dispensary license in Illinois. As of March 2, 2022, by way of acquisition and in addition to the licenses listed above, the Company added three California cultivation licenses (one medical and two adult-use), one California cultivation nursery license, one California distribution license, one California license for adult-use manufacture, and one pending California license for adult-use cultivation processing. On July 12, 2022, the California Department of Cannabis Control approved the Company’s cultivation processing license.

Planet 13 is a public company which is listed on the Canadian Securities Exchange (“**CSE**”) under the symbol PLTH and on the OTCQX exchange under the symbol “**PLNHF**”.

The Company’s registered office is located at 595 Howe Street, 10th Floor, Vancouver, BC V6C 2T5 and the head office address is 2548 W. Desert Inn Road, Las Vegas, NV 89109.

While cannabis and CBD-infused products are legal under the laws of several U.S. states (with varying restrictions applicable), the United States Federal Controlled Substances Act classifies all “marijuana” as a Schedule I drug, whether for medical or recreational use. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of safety for use under medical supervision.

The federal government currently is prohibited from prosecuting businesses that operate in compliance with applicable state and local medical cannabis laws and regulations; however, this does not protect adult use cannabis. In addition, if the federal government changes this position, it would be financially detrimental to the Company.

2. Basis of presentation

These unaudited interim condensed consolidated financial statements reflect the accounts of the Company and have been prepared in accordance with generally accepted accounting principles in the United States of America (“**GAAP**”) and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“**SEC**”) for all periods presented. Certain information and footnote disclosures normally included in the audited annual consolidated financial statements prepared in accordance with GAAP have been omitted or condensed. The information included in these unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2021. These unaudited interim condensed consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments), which, in the opinion of management, are necessary for the fair presentation of the results for the interim periods presented. Interim results are not necessarily indicative of results for a full year.

These unaudited interim condensed consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

PLANET 13 HOLDINGS INC.

**Notes to the Interim Condensed Consolidated Financial Statements
(Unaudited, in United States Dollars, except share amounts)**

Failure to arrange adequate financing on acceptable terms and/or achieve profitability may have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. These unaudited interim condensed consolidated financial statements do not give effect to adjustments to assets or liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material. These unaudited interim condensed consolidated financial statements are presented in U.S. dollars, which is also the Company's and its subsidiaries' functional currency.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on August 15, 2022.

i) Basis of consolidation

The accompanying consolidated financial statements include the accounts of the Company and all subsidiaries. Subsidiaries are entities in which the Company has a controlling voting interest or is the primary beneficiary of a variable interest entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are deconsolidated from the date control ceases. All intercompany accounts and transactions have been eliminated upon consolidation. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating intercompany balances and transactions.

These consolidated financial statements include the accounts of the Company and the following entities which are subsidiaries of the Company:

Subsidiaries as at June 30, 2022	Jurisdiction of Incorporation	Ownership Interest 2022	Ownership Interest 2021	Nature of Business
MM Development Company, Inc. ("MMDC")	Nevada, USA	100%	100%	NV license holding company; vertically integrated cannabis operations
BLC Management Company LLC	Nevada, USA	100%	100%	Holding company
LBC CBD LLC ("LBC")	Nevada, USA	100%	100%	CBD retail sales and marketing
Newtonian Principles Inc.	California, USA	100%	100%	CA license holding company; cannabis retail sales
Crossgate Capital U.S. Holdings Corp.	Nevada, USA	100%	0%	Holding company
Next Green Wave, LLC	California, USA	100%	0%	CA license holding company; cannabis cultivation and processing
MM Development MI, Inc.	Michigan, USA	100%	100%	Holding company
MM Development CA, Inc.	California, USA	100%	100%	Holding company
Planet 13 Illinois, LLC	Illinois, USA	49%	49%	IL license holding company
BLC NV Food, LLC	Nevada, USA	100%	100%	Holding company
By The Slice, LLC	Nevada, USA	100%	100%	Food retailing
Planet 13 Chicago, LLC	Illinois, USA	100%	100%	Holding company
Planet 13 Florida, Inc.	Florida, USA	100%	100%	FL license holding company

PLANET 13 HOLDINGS INC.

**Notes to the Interim Condensed Consolidated Financial Statements
(Unaudited, in United States Dollars, except share amounts)**

ii) Functional currency

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

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

Realized and unrealized foreign exchange gains and losses are recognized in the unaudited interim condensed consolidated statements of operations and comprehensive loss. Non-monetary assets and liabilities that are measured in terms of historical cost in CAD are translated using the exchange rate at the date of the transaction.

iii) Emerging growth company

The Company is an "Emerging Growth Company", as defined in Section 2(a) of the Securities Act of 1933, as amended (the "**Securities Act**"), as modified by the Jumpstart Our Business Startups Act of 2012 (the "**JOBS Act**"), and it has taken advantage of certain exemptions that are not applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the independent registered public accounting firm attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not has a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial reporting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public and private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard.

iv) Business Combinations and Goodwill

The Company accounts for business combinations using the acquisition method in accordance with ASC 805, Business Combinations, which requires recognition of assets acquired and liabilities assumed, including contingent assets and liabilities, at their respective fair values on the date of acquisition. Any excess of the purchase consideration over the net fair value of tangible and identified intangible assets acquired less liabilities assumed is recorded as goodwill. The costs of business acquisitions, including fees for accounting, legal, professional consulting and valuation specialists, are expensed as incurred within general and administrative expenses. Purchase price allocations may be preliminary and, during the measurement period not to exceed one year from the date of acquisition, changes in assumptions and estimates that result in adjustments to the fair value of assets acquired and liabilities assumed are recorded in the period the adjustments are determined.

The estimated fair value of acquired assets and assumed liabilities are determined primarily using a discounted cash flow approach, with estimated cash flows discounted at a rate that the Company believes a market participant would determine to be commensurate with the inherent risks associated with the asset and related estimated cash flow streams.

PLANET 13 HOLDINGS INC.
Notes to the Interim Condensed Consolidated Financial Statements
(Unaudited, in United States Dollars, except share amounts)

3. Inventory

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 inventory is comprised of:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Raw materials	\$ 4,694,492	\$ 3,093,646
Packaging and miscellaneous	2,388,774	1,825,514
Work in progress	2,291,714	2,883,955
Finished goods	4,812,242	6,422,254
	<u>\$ 14,187,222</u>	<u>\$ 14,225,369</u>

Cost of Inventory is recognized as an expense when sold and included in the cost of goods sold. During the three and six months ended June 30, 2022, the Company recognized \$14,587,723 and \$27,381,114 (2021 - \$13,837,469 and \$24,618,950) of inventory expensed to cost of goods sold.

4. Prepaid expenses and other current assets

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Security deposits	\$ 1,232,012	\$ 2,287,596
Advertising and Marketing	-	306,415
Prepaid rent	239,411	218,599
Insurance	446,997	804,608
License fees	761,691	36,008
Miscellaneous	266,461	324,298
	<u>\$ 2,946,572</u>	<u>\$ 3,977,524</u>

5. Property and equipment

	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Leasehold Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
Gross carrying amount						
At December 31, 2021	\$ 630,299	\$ 1,707,894	\$ 11,105,241	\$ 54,718,371	\$ 127,680	\$ 68,289,485
Additions	7,282,912	9,098,972	513,704	1,425,680	6,578,684	24,899,952
At June 30, 2022	<u>\$ 7,913,211</u>	<u>\$ 10,806,866</u>	<u>\$ 11,618,945</u>	<u>\$ 56,144,051</u>	<u>\$ 6,706,364</u>	<u>\$ 93,189,437</u>
Depreciation						
At December 31, 2021	\$ 179,297	\$ 246,447	\$ 3,801,166	\$ 13,284,298	\$ -	\$ 17,511,208
Additions	26,112	126,185	1,157,320	4,006,574	-	5,316,191
Transfers & disposals	-	-	3,743	(3,743)	-	-
At June 30, 2022	<u>\$ 205,409</u>	<u>\$ 372,632</u>	<u>\$ 4,962,229</u>	<u>\$ 17,287,129</u>	<u>\$ -</u>	<u>\$ 22,827,399</u>
Carrying amount						
At December 31, 2021	\$ 451,002	\$ 1,461,447	\$ 7,304,075	\$ 41,434,073	\$ 127,680	\$ 50,778,277
At June 30, 2022	<u>\$ 7,707,802</u>	<u>\$ 10,434,234</u>	<u>\$ 7,079,645</u>	<u>\$ 38,856,922</u>	<u>\$ 6,706,364</u>	<u>\$ 70,362,038</u>

PLANET 13 HOLDINGS INC.**Notes to the Interim Condensed Consolidated Financial Statements
(Unaudited, in United States Dollars, except share amounts)**

As at June 30, 2022, costs related to construction of facilities were capitalized as construction in progress and not depreciated. Once construction is completed, the construction in progress balance is moved to the appropriate fixed asset account and depreciation commences. The contractual construction commitment as of June 30, 2022 was \$3,078,982 (December 31, 2021 - \$nil).

For the six months ended June 30, 2022, depreciation expense was \$5,316,191 (2021 - \$2,827,246) of which \$1,327,062 (2021 - \$903,929) was included in cost of goods sold.

During the six months ended June 30, 2022, the Company transferred \$3,743 and \$3,743 in gross asset value and accumulated depreciation, respectively, from leasehold improvements to equipment.

6. Intangible assets

	Retail Dispensary Santa Ana	Retail Dispensary Clark County	Cultivation and Production Clark County	Master License Florida	Cultivation Coalinga, California	Total
Carrying amount						
Balance, December 31, 2021	\$ 6,151,343	\$ 690,000	\$ 709,798	\$ 55,846,866	\$ -	\$ 63,398,007
Additions – NGW	-	-	-	-	5,500,000	5,500,000
Balance, June 30, 2022	<u>\$ 6,151,343</u>	<u>\$ 690,000</u>	<u>\$ 709,798</u>	<u>\$ 55,846,866</u>	<u>\$ 5,500,000</u>	<u>\$ 68,898,007</u>

On March 2, 2022, the Company closed on its acquisition of Next Green Wave Holdings, Inc. (“NGW”) resulting in the Company acquiring a California cultivation and distribution license held by NGW in Coalinga, California. The acquisition was accounted for as a stock purchase acquisition as NGW was deemed to be a business under ASC 805 Business Combinations (Note 20).

7. Leases

The Company’s lease agreements are for cultivation, manufacturing, retail 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. Certain leases include escalation clauses or payment of executory costs such as property taxes, utilities, or insurance and maintenance. Rent expense for leases with escalation clauses is accounted for on a straight-line basis over the lease term. The Company’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

PLANET 13 HOLDINGS INC.
Notes to the Interim Condensed Consolidated Financial Statements
(Unaudited, in United States Dollars, except share amounts)

The following table provides the components of lease costs recognized in the unaudited interim condensed consolidated statement of operations and comprehensive loss for three and six month periods ended June 30, 2022 and 2021:

	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Operating lease costs	\$ 1,209,063	\$ 1,105,384	\$ 2,180,306	\$ 2,175,160
Finance lease costs:				
Amortization of lease assets	-	12,488	-	25,087
Interest on lease liabilities	-	1,104	-	2,687
Finance lease costs	-	13,592	-	27,774
Short term lease expense	117	10,707	1,584	8,577
Total lease costs	\$ 1,209,180	\$ 1,129,683	\$ 2,181,890	\$ 2,211,511

Other information related to operating and finance leases as of and for the six months ended June 30, 2022 and 2021 are as follows:

	June 30, 2022		June 30, 2021	
	Finance Lease	Operating Lease	Finance Lease	Operating Lease
Weighted average discount rate	15.00%	15.00%	15.00%	15.00%
Weighted average remaining lease term	-	11.37	0.14	16.21

The maturity of the contractual undiscounted lease liabilities as of June 30, 2022 and December 31, 2021 are:

	June 30, 2022		December 31, 2021	
	Finance Lease	Operating Lease	Finance Lease	Operating Lease
One year	\$ -	\$ 3,759,880	\$ -	\$ 3,595,030
Two years	-	4,047,229	-	3,729,936
Three years	-	4,188,742	-	3,870,217
Four years	-	4,209,004	-	3,965,923
Five years	-	4,204,056	-	3,880,082
Thereafter	-	59,189,515	-	54,138,155
Total undiscounted lease liabilities	-	79,598,426	-	73,170,343
Interest on lease liabilities	-	(54,037,807)	-	(49,612,758)
Total present value of minimum lease payments	-	25,560,619	-	23,557,585
Lease liability - current portion	-	(418,443)	-	(423,573)
Lease liability	\$ -	\$ 25,142,176	\$ -	\$ 23,134,012

PLANET 13 HOLDINGS INC.

**Notes to the Interim Condensed Consolidated Financial Statements
(Unaudited, in United States Dollars, except share amounts)**

Principally all leases relate to real estate. Additional information on the right-of-use assets is as follows:

	June 30, 2022		December 31, 2021	
	Finance Lease	Operating Lease	Finance Lease	Operating Lease
Gross carrying amount				
Balance, beginning of period	\$ 133,561	\$ 22,830,123	\$ 133,561	\$ 21,962,564
Lease additions and modifications	-	2,326,202	-	867,559
Lease incentives	-	(760,866)	-	-
Disposals	(96,601)	(406,351)	-	-
Balance, end of period	\$ 36,960	\$ 23,989,108	\$ 133,561	\$ 22,830,123
Depreciation				
Balance, beginning of period	\$ 133,561	\$ 2,430,158	\$ 88,889	\$ 1,464,669
Additions	-	553,690	44,672	965,489
Disposals	(96,601)	(56,823)	-	-
Balance, end of period	\$ 36,960	\$ 2,927,025	\$ 133,561	\$ 2,430,158
Carrying amount, beginning of period	\$ -	\$ 20,399,965	\$ 44,672	\$ 20,497,895
Carrying amount, end of period	\$ -	\$ 21,062,083	\$ -	\$ 20,399,965

For the three and six months ended June 30, 2022, the Company incurred \$1,209,063 and \$2,180,306 of operating lease costs, respectively (2021 - \$1,105,384 and \$2,175,160), of which \$430,013 and \$920,009, respectively (2021 - \$457,452 and \$914,902) was capitalized to inventory or included in cost of goods sold.

8. Notes payable

	June 30, 2022	December 31, 2021
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
	\$ 884,000	\$ 884,000
Less current portion	(884,000)	(884,000)
	\$ -	\$ -

Started maturities of debt obligations are as follow:

Next 12 months Promissory Note	\$ 884,000
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PLANET 13 HOLDINGS INC.
Notes to the Interim Condensed Consolidated Financial Statements
(Unaudited, in United States Dollars, except share amounts)

9. Share capital

The Company is authorized to issue an unlimited number of common shares and an unlimited number of Class A shares.

	Number of Common Shares	
	June 30, 2022	December 31, 2021
Common Shares		
Balance at January 1	198,687,950	126,573,250
Shares issued on settlement of RSU's	i. -	3,126,534
Shares issued on exercise of options	ii. 97,325	121,336
Shares issued on exercise of warrants	iii. -	3,772,640
Shares issued on financing - February 2021	iv. -	9,861,250
Shares issued on conversion of Class A shares	v. -	55,232,940
Shares issued on acquisition (Note 20)	21,361,002	-
Total common shares outstanding	220,146,277	198,687,950

i. Shares issued for Restricted Share Units

During the six months ended June 30, 2022, no Restricted Share Units ("RSUs") were awarded, vested or settled and 18,000 RSUs were cancelled.

During the year ended December 31, 2021, the Company issued 3,126,534 common shares on the settlement of RSUs that had vested during the period. The Company did not receive any cash proceeds on the settlement.

ii. Shares issued for Stock Options

During the six months ended June 30, 2022, 1,106,925 replacement options were issued to holders of NGW options in connection with the Company's acquisition of NGW. The Company issued 97,325 common shares on the exercise of options that had a strike price of CAD\$1.31 resulting in cash proceeds of \$97,980 (CAD\$127,496). Other than the replacement options, no options were awarded and 286,250 options expired.

During the year ended December 31, 2021, the Company issued 121,336 common shares on the exercise of options that had a strike price in the range of CAD\$0.75 to CAD\$1.55 per common share resulting in cash proceeds of \$86,216 (CAD\$108,987).

iii. Shares issued on the exercise of Warrants

During the six months ended June 30, 2022, no warrants were issued, exercised or expired.

During the year ended December 31, 2021, the Company issued 3,772,640 common shares to warrant holders who exercised 3,772,640 warrants resulting in cash proceeds of \$14,093,793 (CAD\$17,848,084).

iv. Shares issued on Financing – February 2021

During the year ended December 31, 2021, the Company completed a bought deal financing on February 2, 2021 for aggregate gross proceeds of \$53,852,980 (CAD\$69,028,750) at a price of CAD\$7.00 per unit. The Company issued 9,861,250 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\$9.00 per common share for a period of 24 months.

The Company also issued 591,676 broker warrants that entitle the holder to purchase one common share for a period of 24 months from the closing of the offering at a price of CAD\$7.00 per common share. The broker warrants were measured based on the fair market value of the warrants using a Black Scholes valuation model.

PLANET 13 HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements
(Unaudited, in United States Dollars, except share amounts)

The Company incurred \$3,494,930 in cash share issuance costs and \$1,296,170 in broker warrant costs. The warrants are initially measured at fair value (Note 10) with residual proceeds being allocated to the common shares. Issuance costs have been allocated in the same proportion, with costs allocated to the warrant liability being expensed as incurred. The net proceeds were allocated as follows:

	<u>Gross Proceeds</u>	<u>Issuance Costs</u>
February 2, 2021, Financing		
Common shares (APIC)	\$ 50,967,999	\$ (4,534,434)
Warrant liability (Note 10)	2,884,981	(256,666)
Total	\$ 53,852,980	\$ (4,791,100)

viii. Shares issued on Acquisition

On March 2, 2022, the Company completed a business combination acquisition of NGW.

The Company acquired all of the NGW Shares for a total consideration of 21,361,002 common shares of the Company and NGW then amalgamated with Planet 13 (Note 20).

10. Warrants

The following table summarizes the fair value of the warrant liability at June 30, 2022 and December 31, 2021.

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Opening balance	\$ 7,206,049	\$ 13,204,211
Additions	-	2,884,981
Exercises	-	(8,976,258)
Foreign exchange	12,758	100,635
Change in fair value	(6,795,234)	(7,520)
Closing balance	\$ 423,573	\$ 7,206,049

The warrant liability is adjusted to fair value on the date the warrants are exercised and at the end of each reporting period. The amount that is reclassified to equity on the date of exercise is the fair value at that date.

The following table summarizes the number of warrants outstanding at June 30, 2022 and December 31, 2021.

	<u>June 30, 2022</u>	<u>Weighted Average Exercise Price - CAD</u>	<u>December 31, 2021</u>	<u>Weighted Average Exercise Price - CAD</u>
Balance - beginning of period	8,861,951	\$ 7.46	7,158,337	\$ 4.98
Issued	-	\$ -	5,522,301	\$ 8.79
Exercised	-	\$ -	(3,772,640)	\$ 4.73
Expired	-	\$ -	(46,047)	\$ 3.75
Balance - end of period	8,861,951	\$ 7.46	8,861,951	\$ 7.46

No warrants were exercised during the six months ended June 30, 2022. The Company received cash proceeds of \$14,093,793 (CAD\$17,848,084) from the exercise of warrants during the year ended December 31, 2021.

PLANET 13 HOLDINGS INC.**Notes to the Interim Condensed Consolidated Financial Statements
(Unaudited, in United States Dollars, except share amounts)***Fair values*

The Company complies with ASC 820, Fair Value Measurement, for its financial assets and liabilities that are re-measured and reported at fair value at each reporting period, and non-financial assets and liabilities that are re-measured and reported at fair value at least annually. Financial instruments recorded at fair value in the consolidated balance sheet are classified using a fair value hierarchy that reflects the observability of significant inputs used in making the measurements. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following tables present information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2022, and December 31, 2021:

	Quoted prices in active markets for identical asset (Level 1)	Total
June 30, 2022		
Warrant liability	\$ (423,573)	\$ (423,573)
December 31, 2021		
Warrant liability	(7,206,049)	(7,206,049)

11. Share based compensation**(a) 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. The maximum term of an option is five years and the related vesting period runs from immediate to the life of the grant.

During the three and six months ended June 30, 2022 and the year ended December 31, 2021

No incentive stock options were granted during the three and six months ended June 30, 2022 or the year ended December 31, 2021. During the six months ended June 30, 2022, the Company issued 1,106,925 options in exchange for all NGW options outstanding (Note 20).

PLANET 13 HOLDINGS INC.
Notes to the Interim Condensed Consolidated Financial Statements
(Unaudited, in United States Dollars, except share amounts)

The following table summarizes information about stock options outstanding at June 30, 2022:

<u>Expiry Date</u>	<u>Exercise price CAD\$</u>	<u>June 30, 2022 Outstanding</u>	<u>June 30, 2022 Exercisable</u>	<u>December 31, 2021 Outstanding</u>	<u>December 31, 2021 Exercisable</u>
July 4, 2022	\$ 2.65	100,000	100,000	100,000	100,000
June 11, 2023	\$ 0.80	61,668	61,668	61,668	61,668
June 30, 2024	\$ 2.60	7,500	7,500	7,500	7,500
November 21, 2024	\$ 1.31	185,203	185,203	-	-
February 27, 2025	\$ 1.31	51,525	51,525	-	-
July 6, 2025	\$ 1.31	97,325	97,325	-	-
December 15, 2025	\$ 3.06	269,075	269,075	-	-
September 30, 2026	\$ 4.37	120,222	120,222	-	-
		<u>892,518</u>	<u>892,518</u>	<u>169,168</u>	<u>169,168</u>

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

	<u>June 30, 2022</u>	<u>Weighted Average Exercise Price - CAD</u>	<u>December 31, 2021</u>	<u>Weighted Average Exercise Price - CAD</u>
Balance - beginning of period	169,168	\$ 2.01	293,838	\$ 1.52
Issued	1,106,925	2.58	-	-
Exercised	(97,325)	1.31	(121,336)	0.91
Expired	(286,250)	3.29	(3,334)	0.80
Balance - end of period	<u>892,518</u>	<u>\$ 2.39</u>	<u>169,168</u>	<u>\$ 2.01</u>

Share based compensation expense attributable to employee options was \$nil and \$3,104 for the six months ended June 30, 2022, and 2021, respectively.

The total intrinsic value of options exercised, outstanding and exercisable as of June 30, 2022, was \$58,363, \$77,113 and \$77,113, respectively.

The total intrinsic value of stock options exercised, outstanding and exercisable as of December 31, 2021, was \$274,611, \$238,010 and \$238,010, respectively.

(b) 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.

The following table summarizes the RSUs that are outstanding as at June 30, 2022 and 2021:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Balance - beginning of period	2,591,929	1,764,250
Issued	-	4,086,178
Exercised	-	(855,857)
Cancelled	(18,000)	-
Balance - end of period	<u>2,573,929</u>	<u>4,994,571</u>

PLANET 13 HOLDINGS INC.

**Notes to the Interim Condensed Consolidated Financial Statements
(Unaudited, in United States Dollars, except share amounts)**

The Company recognized \$4,116,573 in share-based compensation expense attributable to the RSU vesting schedule for the six months ended June 30, 2022 (\$5,594,617 for the six months ended June 30, 2022).

During the six months ended June 30, 2022

No RSUs were granted, exercised or vested.

During the six months ended June 30, 2021

On January 4, 2021, the Company issued 852,154 common shares to settle 852,154 RSUs that had vested. The Company did not receive any cash from this issuance.

On April 19, 2021, the Company granted 4,082,474 RSUs to officers, directors, and employees pursuant to the Company's RSU Plan. The RSUs granted vest in three equal tranches on November 1, 2021, November 1, 2022, and November 1, 2023, unless otherwise varied pursuant to the terms of the plan.

On June 10, 2021, the Company granted 3,704 RSUs to a consultant of the Company. Pursuant to the Company's RSU Plan. The RSUs vested immediately and were exercised on June 10, 2021. The company issued 3,704 common shares on the exercise and did not receive any cash proceeds from the issuance.

12. Loss per share

	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Loss available to common shareholders	\$ (2,039,525)	\$ (5,564,718)	\$ (4,100,596)	\$ (11,579,147)
Weighted average number of shares outstanding, basic and diluted	220,088,004	196,292,786	212,869,574	193,550,424
Basic and diluted loss per share	\$ (0.01)	\$ (0.03)	\$ (0.02)	\$ (0.06)

Approximately 12,328,398 and 14,051,056 of potentially dilutive securities for the three and six months ended June 30, 2022 and 2021, respectively were excluded in the calculation of diluted EPS as their impact would have been anti-dilutive due to the net losses for such periods.

13. General and administrative

	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Salaries and wages	\$ 3,816,040	\$ 4,896,490	\$ 7,794,850	\$ 8,346,619
Share based compensation	2,061,079	5,393,748	4,116,573	5,597,721
Executive compensation	760,226	437,873	1,433,840	937,209
Licenses and permits	656,148	700,900	1,457,665	1,288,941
Payroll taxes and benefits'	1,042,807	766,179	2,060,776	1,448,221
Supplies and office expenses	277,824	378,535	500,456	749,356
Subcontractors	508,254	738,303	1,132,897	1,212,943
Professional fees (legal, audit and other)	1,292,823	1,268,400	3,510,448	1,904,570
Miscellaneous general and administrative expenses	1,595,852	1,805,294	3,490,238	2,874,958
	<u>\$ 12,011,053</u>	<u>\$ 16,385,722</u>	<u>\$ 25,497,743</u>	<u>\$ 24,360,538</u>

PLANET 13 HOLDINGS INC.
Notes to the Interim Condensed Consolidated Financial Statements
(Unaudited, in United States Dollars, except share amounts)

14. Supplemental cash flow information

	June 30, 2022	June 30, 2021
Change in Working Capital		
Accounts Receivable	\$ 983,223	(415,032)
Inventory	2,133,755	(5,839,287)
Prepaid Expenses and Other Assets	1,100,971	(3,884,053)
Long-term Deposits and Other Assets	227,869	(130,698)
Deferred Tax Assets	(27,628)	-
Accounts Payable	(954,031)	4,415,654
Accrued Expenses	(578,464)	4,955,673
Income Taxes Payable	(1,036,977)	(980,856)
	<u>\$ 1,848,718</u>	<u>\$ (1,878,599)</u>
Cash Paid		
Income Taxes	\$ 5,794,337	\$ 8,131,307
Interest	\$ -	\$ -
Non-cash Financing and Investing Activities		
Initial Recognition of Fair Value of Net Assets Acquired in NGW Acquisition in Exchange for Shares, excluding Cash	\$ 22,109,890	\$ -
Initial Recognition of ROU Assets and Lease Liabilities	\$ 2,326,202	\$ 867,561
Fixed Asset Amounts in Accounts Payable	\$ 363,077	\$ 264,744
Warrant liability reclassified to APIC on settlement	\$ -	\$ 8,955,993
Reclassification of long term lease liabilities to current	\$ 5,130	\$ -
Early Termination of Operating Lease	\$ 371,381	\$ -

15. Related Party Transactions and Balances

Related party transactions are summarized as follows:

a) Building Lease

The Company is the sub-lessee of approximately 2,000 square feet of office space and purchases certain printed marketing collateral and stationery items from a company previously owned by one of the Company's Co-CEOs. Amounts paid for rent for the three and six months ended June 30, 2022 and 2021 equaled \$6,010 and \$6,010, respectively. Amounts paid for printed marketing collateral and stationery items to the same company were \$183,914 and \$30,287 for the three and six months ended June 30, 2022 and 2021, respectively.

PLANET 13 HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements
(Unaudited, in United States Dollars, except share amounts)

The Company leased a cultivation facility from an entity owned by the Company's Co-CEOs. Rent paid for this facility for the three and six months ended June 30, 2022 and 2021 equaled \$nil and \$229,054, respectively. On April 30, 2021, the Company's Co-CEOs sold this building to an arm's length third party who assumed the lease.

(b) Other

A company previously owned by one of the Company's executives pays the Company for storage space. Amounts paid to the Company for storage space equaled \$ 5,968 and \$28,440 for the three and six months ended June 30, 2022 and 2021, respectively, and is recorded in other income.

16. Commitments and contingencies

(a) Construction Commitments

The Company had \$3,078,982 of outstanding construction commitments as of June 30, 2022.

(b) Contingencies

The Company's operations are subject to a variety of local and state regulations. 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 at June 30, 2022, 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, 2022, and December 31, 2021, 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 and California, 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.

17. Risks

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.

PLANET 13 HOLDINGS INC.**Notes to the Interim Condensed Consolidated Financial Statements
(Unaudited, in United States Dollars, except share amounts)**

The Company evaluates the collectability of its accounts receivable and maintains an allowance for credit losses at an amount sufficient to absorb losses inherent in the existing accounts receivable portfolio as of the reporting dates based on the estimate of expected net credit losses.

Concentration risk

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

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 or 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 leave the Company's cash holdings vulnerable.

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.

Currency rate risk

As at June 30, 2022, a portion of the Company's financial assets and liabilities held in Canadian dollars consist of cash and cash equivalents of \$ 166,642 (2021 - \$2,568,692). The Company's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties in the functional currency. The Company is exposed to currency rate risk in other comprehensive income, relating to foreign subsidiaries which operate in a foreign currency. The Company does not currently use foreign exchange contracts to hedge its exposure of its foreign currency cash flows as management has determined that this risk is not significant at this point in time.

18. Disaggregated Revenue

The following table presents the Company's disaggregated revenue by sales channel:

	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Retail	\$ 24,250,925	\$ 31,582,582	\$ 47,810,316	\$ 54,351,977
Wholesale	4,161,305	1,261,006	6,296,309	2,307,819
Net revenues	<u>\$ 28,412,230</u>	<u>\$ 32,843,588</u>	<u>\$ 54,106,625</u>	<u>\$ 56,659,796</u>

PLANET 13 HOLDINGS INC.
Notes to the Interim Condensed Consolidated Financial Statements
(Unaudited, in United States Dollars, except share amounts)

19. COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. The outbreak of this contagious disease and its subsequent variants, along with the related adverse public health developments, have negatively affected workforces, economies, and financial markets on a global scale. Currently, the Company is closely monitoring the impact of the pandemic on all aspects of its business and it is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations.

20. Next Green Wave Acquisition

On March 2, 2022 (the "Closing Date"), the Company completed a business combination acquisition of NGW. The Company entered into an arrangement agreement (the "Arrangement Agreement") with NGW on December 20, 2021 pursuant to which Planet 13 agreed to acquire (the "Arrangement") all of the issued and outstanding common shares of NGW (the "NGW Shares") pursuant to a plan of arrangement (the "Plan of Arrangement") under the Business Corporations Act (British Columbia). The Arrangement was approved by the holders of NGW Shares (the "NGW Shareholders") at a special meeting of NGW Shareholders held on February 25, 2022 and approved by the Supreme Court of British Columbia on March 1, 2022.

Pursuant to the Plan of Arrangement, on March 2, 2022, the Company acquired all of the NGW Shares for a total consideration of 21,361,002 common shares of the Company and NGW then amalgamated with Planet 13. The NGW Shareholders received 0.1145 of one Planet 13 Share (the "Exchange Ratio") and a nominal cash payment of C\$0.0001 for each NGW Share held immediately prior to the Effective Time. As a result, 21,361,002 Planet 13 Shares and \$15,205 in cash were issued in exchange for the NGW Shares. In addition, the number of Planet 13 Shares issued to any person pursuant to the Arrangement was rounded down to the nearest whole Planet 13 Share, with a cash consideration paid in lieu of the issuance of such fractional Planet 13 Share of C\$3.379 per share.

Based upon the Exchange Ratio, all NGW options to acquire NGW Shares that were outstanding immediately prior to the Effective Time were also exchanged for Planet 13 options that will entitle the holders to receive, upon exercise thereof, Planet 13 Shares. As a result, the Company issued 1,106,925 options in exchange for the NGW options.

The NGW acquisition was accounted for as a stock purchase acquisition as NGW was deemed to be a business under ASC 805 Business Combinations and the Company is in the process of obtaining a third-party purchase price allocation analysis related to this acquisition. In the interim, the following table summarizes the initial allocation of consideration exchanged to the estimated fair value of identifiable intangible assets acquired assumed:

Consideration paid:

Cash	\$ 15,205
Issuance of 21,361,002 Common Shares (Note 11)	57,854,830
Issuance of 1,106,925 replacement options	1,239,818
	<u>59,109,853</u>

Fair value of net assets acquired:

Cash	\$ 1,478,698
Inventory	2,095,608
Accounts Receivable	1,306,803
Other current assets	67,340
Property, plant and equipment, net of accumulated depreciation	13,162,210
Other assets	185,619
Intangible asset - License	5,500,000
Goodwill	35,621,853
Accounts Payable	(20,219)
Accrued Liabilities	(288,059)
	<u>\$ 59,109,853</u>

PLANET 13 HOLDINGS INC.**Notes to the Interim Condensed Consolidated Financial Statements
(Unaudited, in United States Dollars, except share amounts)**

The Company acquired NGW in order to become vertically integrated in California and to create a pathway to introduce it Nevada-based brands into the market. NGW's post-acquisition revenues, gross profit and net income included in the Company's results for the three months ended June 30, 2022 were \$2,794,371, \$173,078 and \$207,929, respectively, and NGW's post-acquisition results for the six months ended June 30, 2022 were \$3,261,298, \$90,863 and \$58,702. The following table reflects the revenue, gross profit and comprehensive income (loss) that would have been reported if the acquisition had occurred at the beginning of the periods indicated:

	Three Months Ended June 30, 2022			Three Months Ended June 30, 2021		
	As Reported	NGW	Pro Forma	As Reported	NGW	Pro Forma
Revenue, net of discounts	\$ 28,412,230	\$ -	\$ 28,412,230	\$ 23,816,218	\$ 3,571,713	\$ 27,387,931
Gross Profit	13,824,507	-	13,824,507	13,034,727	890,344	13,925,071
Comprehensive income (loss) for the period	(2,039,525)	-	(2,039,525)	(6,014,429)	(686,097)	(6,700,526)

	Six Months Ended June 30, 2022			Six Months Ended June 30, 2021		
	As Reported	NGW	Pro Forma	As Reported	NGW	Pro Forma
Revenue, net of discounts	\$ 54,106,625	\$ 870,651	\$ 54,977,276	\$ 23,816,218	\$ 8,418,221	\$ 32,234,439
Gross Profit	26,725,510	(131,700)	26,593,810	13,034,727	4,258,967	17,293,694
Comprehensive income (loss) for the period	(4,100,596)	(868,125)	(4,968,721)	(6,014,429)	1,064,899	(4,949,530)

The NGW cannabis licenses acquired have an indefinite life and as such will not be subject to amortization. The ultimate amount of goodwill and other intangible assets resulting from the third-party purchase price allocation analysis will be assessed for impairment on at least an annual basis. The Company does not expect that any of the goodwill of other identified intangible assets will be deductible for tax purposes.

21. Subsequent Events

On July 1, 2022, we, through our subsidiary Planet 13 Florida, Inc., closed on a \$3,300,000 USD purchase of a 23-acre parcel of real property, inclusive of a 10,500 square foot building, near Ocala, Florida. The property was previously leased by Planet 13 Florida, Inc., and previously received Florida OMMU approvals for cultivation and processing activities.

On July 12, 2022, the DCC granted to NGW a cultivation processing license to trim, cure, dry, grade, package, and label the cannabis grown at NGW facilities.

On July 22, 2022 the Illinois Department of Financial and Professional Regulation issued the conditional license to our 49% owned subsidiary, Planet 13 Illinois, LLC.

On August 5, 2022, the Company announced it had entered into an option purchase agreement that gives the Company the option to purchase 51% of Planet 13 Illinois, LLC that it does not already own from Frank Cowan for \$866,250 in cash and 1,063,377 common shares of the Company. The option is exercisable at the Company's discretion for a period of two years.