



UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 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 June 1, 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 March 31, 2020	As at December 31, 2019
Assets		
Current Assets		
Cash	\$ 13,937,880	\$ 12,814,712
HST receivable	24,656	16,544
Inventories (Note 5)	6,625,100	5,474,004
Biological assets (Note 6)	639,820	514,526
Prepaid expenses and other current assets (Note 9)	2,905,453	3,694,272
Total Current Assets	24,132,909	22,514,058
Property and equipment (Note 7)	31,065,700	30,211,154
Right of use assets (Note 8)	9,310,513	9,478,733
Long-term deposits and other assets	2,012,181	694,601
	42,388,394	40,384,488
Total Assets	\$ 66,521,303	\$ 62,898,546
Liabilities		
Current Liabilities		
Accounts payable	\$ 2,070,789	\$ 864,260
Accrued expenses	2,043,773	1,910,046
Income taxes payable	8,900,206	7,015,606
Notes payable - current portion (Note 10)	884,000	884,000
Total Current Liabilities	13,898,768	10,673,912
Long-term lease liabilities (Note 11)	10,593,968	10,522,377
Other long-term liabilities	28,000	28,000
Deferred tax liability - net	208,624	379,665
	10,830,592	10,930,042
Total Liabilities	24,729,360	21,603,954
Shareholders' Equity		
Share capital (Note 12)	55,304,624	51,986,849
Restricted share units (Note 12)	2,911,348	4,119,485
Warrants (Note 12)	5,766,312	5,961,091
Option reserve (Note 12)	359,924	399,439
Accumulated other comprehensive loss	(576,638)	(607,707)
Deficit	(21,973,627)	(20,564,565)
Total Shareholders' Equity	41,791,943	41,294,592
Total Liabilities and Shareholders' Equity	\$ 66,521,303	\$ 62,898,546

Nature of operations (Note 1)

Commitment and Contingencies (Note 14)

Subsequent events (Note 18)

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

“Michael Harman”

Michael Harman, Director

“Adrienne O’Neal”

Adrienne O’Neal, Director

PLANET 13 HOLDINGS INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS

<i>Expressed in United States Dollars</i>	Three months Ended March 31, 2020	Three months Ended March 31, 2019
Revenue		
Revenues, net of discounts	\$ 16,793,002	\$ 13,836,063
Cost of Goods Sold	(7,746,922)	(6,393,446)
Gross Profit before fair value asset adjustment	9,046,080	7,442,617
Realized fair value amounts included in inventory sold	(193,196)	(346,062)
Unrealized fair value gain on growth of biological assets	427,615	358,771
Gross Profit	9,280,499	7,455,326
Expenses		
General and Administrative (Note 13)	5,522,514	4,540,220
Sales and Marketing	1,446,608	1,402,129
Depreciation and Amortization (Note 7 & 8)	987,008	597,089
Share-Based Compensation Expense (Note 12)	810,823	572,352
Total Expenses	8,766,953	7,111,790
Income From Operations	513,546	343,536
Other Expense:		
Interest expense, net	281,005	215,699
Realized foreign exchange loss	-	2,725
Other income	(71,956)	(17,163)
Total Other Expense	209,049	201,261
Income before income taxes	304,497	142,275
Provision for tax - current	1,853,382	1,717,842
Provision for tax - deferred	(139,823)	(152,223)
Loss for the Period	\$ (1,409,062)	\$ (1,423,344)
Other Comprehensive Income		
Foreign exchange translation gain	31,069	273,205
Net Comprehensive Loss for the Period	\$ (1,377,993)	\$ (1,150,139)
Loss per share for the Period		
Basic and diluted loss per share	(\$0.01)	(\$0.01)
Weighted Average Number of Common Shares Outstanding Basic and Diluted	138,915,955	129,467,108

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	1,922,786	1,478,260	-	(1,478,260)	-	-	-	-	-
Share based compensation - RSUs	-	-	-	485,266	-	-	-	-	485,266
Shares issued on exercise of warrants	732,358	818,097	-	-	(299,456)	-	-	-	518,641
Shares issued on exercise of options	15,002	17,711	-	-	-	(8,687)	-	-	9,024
Share based compensation - options	-	-	-	-	-	87,086	-	-	87,086
Cumulative foreign exchange gain	-	-	-	-	-	-	273,205	-	273,205
Net loss for the period	-	-	-	-	-	-	-	(1,423,344)	(1,423,344)
Balance March 31, 2019	131,227,546	39,155,773	5,619,119	1,807,341	6,747,387	384,289	(529,715)	(15,329,576)	37,854,618
Shares issued on exercise of RSUs	2,031,732	1,766,757	-	(1,766,757)	-	-	-	-	-
Share based compensation - RSUs	-	-	-	4,078,901	-	-	-	-	4,078,901
Shares issued on exercise of warrants	4,157,289	5,122,366	-	-	(786,296)	-	-	-	4,336,070
Shares issued on exercise of options	243,992	322,834	-	-	-	(156,384)	-	-	166,450
Share based compensation - options	-	-	-	-	-	171,534	-	-	171,534
Cumulative foreign exchange (loss)	-	-	-	-	-	-	(77,992)	-	(77,992)
Net loss for the period	-	-	-	-	-	-	-	(5,234,989)	(5,234,989)
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 on exercise of RSUs	951,153	1,988,823	-	(1,988,823)	-	-	-	-	-
Share based compensation - RSUs	-	-	-	780,686	-	-	-	-	780,686
Shares issued on exercise of warrants	964,726	1,176,270	-	-	(194,779)	-	-	-	981,491
Share issuance on exercise of options	108,334	152,682	-	-	-	(69,652)	-	-	83,030
Share based compensation - options	-	-	-	-	-	30,137	-	-	30,137
Cumulative foreign exchange gain	-	-	-	-	-	-	31,069	-	31,069
Net loss for the period	-	-	-	-	-	-	-	(1,409,062)	(1,409,062)
Balance March 31, 2020	139,684,772	\$ 49,685,505	\$ 5,619,119	\$ 2,911,348	\$ 5,766,312	\$ 359,924	\$ (576,638)	\$ (21,973,627)	\$ 41,791,943

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

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Operating activities		
Net loss for the period	\$ (1,409,062)	\$ (1,423,344)
Add (deduct) non-cash items:		
Share based payments (Note 12)	810,823	572,352
Depreciation and amortization (Note 7,8)	1,400,265	754,384
Deferred tax liability	(171,041)	246,497
Realized fair value amounts included in inventory sold	-	346,062
Unrealized fair value gain on growth of biological assets	-	(358,771)
Other Assets	(1,317,580)	-
Non-cash interest expense	400,836	215,699
Net change in non-cash working capital		
HST receivable	(8,112)	(15,502)
Inventories (Note 5)	(1,151,096)	(222,674)
Biological assets (Note 6)	(125,294)	397,394
Prepaid expenses and other assets (Note 9)	788,819	(391,249)
Long term deposits and other assets	-	(45,000)
Accounts payable	1,206,528	679,381
Accrued expenses	133,728	500,090
Income tax payable	1,884,600	1,319,122
Cash flow provided by operating activities	2,443,414	2,574,441
Investing activities		
Purchase of property, plant and equipment (Note 7)	(2,086,591)	(2,202,345)
Cash flow used in investing activities	(2,086,591)	(2,202,345)
Financing activities		
Issuance of shares on warrant and option exercises (Note 12)	1,064,521	527,665
Payment on lease liabilities	(329,245)	(375,799)
Cash flow provided by financing activities	735,276	151,866
Net increase in cash	1,092,099	523,962
Cash at beginning of the period	12,814,712	19,364,086
Effect of foreign exchange on cash	31,069	273,205
Cash at end of the period	\$ 13,937,880	\$ 20,161,253

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>Expressed in United States Dollars (unaudited)</i>	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Supplemental Disclosure of Cash Flow		
Cash paid during the period for:		
Interest	\$ 281,005	\$ 215,699
Income taxes	\$ -	\$ -
Non-cash activities		
Carrying value of warrants exercised	\$ 194,779	\$ 299,456
Carrying value of RSUs exercised	\$ 1,988,823	\$ 1,478,260
Carrying value of options exercised	\$ 69,652	\$ 17,711
Lease Liabilities	\$ -	\$ (8,432,138)
Right of Use Assets	\$ -	\$ 7,952,019

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 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. MM Development Company, Inc. ("MMDC") is a privately held corporation existing under the laws of the State of Nevada. MMDC, founded on March 20, 2014, is a vertically integrated cultivator and provider of cannabis and cannabis-infused products licensed under the laws of the State of Nevada, with two licenses for cultivation, two licenses for production, and two dispensary licenses (one medical license and one recreational license).

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

2) Statement of Compliance

These 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. 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 June 1, 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 MONTHS ENDED MARCH 31, 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 three months ended March 31, 2020 include the financial position, results of operations and cash flows of the Company and its subsidiaries. The Company's subsidiaries as at March 31, 2020 are as follows:

Subsidiary	Country of Incorporation	Economic Interest	Nature of Business
MM Development Company, Inc. ("MMDC")	USA	100%	Vertically integrated Cannabis Operations
BLC Management Company LLC. ("BLC")	USA	100%	Management Company
LBC Company LLC. ("LBC")	USA	100%	CBD Retail Sales and Marketing
MM Development MI, Inc.	USA	100%	Holding Company
MM Development CA, Inc.	USA	100%	Holding Company
MMDC CASA Holdings, Inc	USA	100%	Holding Company
PLTHCA SA, Inc	USA	100%	Holding Company
BLC NV Food, 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 material 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 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 months ended March 31, 2020 are consistent with those applied and disclosed in note 4 to the Company's audited consolidated financial statements for the year ended December 31, 2019.

4) Financial instruments and risk management

a) Fair value hierarchy

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

The fair value of hierarchy has the following levels:

- Level 1 – quoted prices in active markets for identical financial instruments.

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019 *Expressed in United States Dollars, unless otherwise indicated*

4) Financial instruments and risk management (Continued)

- 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 March 31, 2020:

Amortized cost	March 31, 2020		December 31, 2019	
	Fair Value	Carrying value	Fair Value	Carrying value
Financial Assets:				
Cash	\$ 13,937,880	\$ 13,937,880	\$ 12,814,712	\$ 12,814,712
Financial Liabilities				
Accounts Payable	\$ 2,070,789	\$ 2,070,789	\$ 864,260	\$ 864,260
Accrued expenses	2,043,773	2,043,773	1,910,046	1,910,046
Notes payable - current	884,000	884,000	884,000	884,000
Total	\$ 4,998,562	\$ 4,998,562	\$ 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 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.

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

Expressed in United States Dollars, unless otherwise indicated

4) Financial instruments and risk management (Continued)

The carrying amount of CAD financial assets and liabilities in USD as at March 31, 2020, is as follows:

US Dollar amounts of foreign currency assets and liabilities		
	Assets	Liabilities
Canadian Dollars	\$1,407,253	\$23,198

Based on the financial instruments held as at March 31, 2020, the Company's other comprehensive loss would have changed by \$125,846 had the US dollar shifted by 10% as a result of foreign exchange effect on translation of non-US dollar denominated financial instruments.

At March 31, 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 March 31, 2020				
	<1 Year	1 to 5 Years	Thereafter	Total
Accounts Payable	\$ 2,070,789	\$ -	\$ -	\$ 2,070,789
Accrued expenses	\$ 2,043,773	\$ -	\$ -	\$ 2,043,773
Income taxes payable	\$ 8,900,206	\$ -	\$ -	\$ 8,900,206
Notes Payable	\$ 884,000	\$ -	\$ -	\$ 884,000
Lease liabilities	\$ 1,393,050	\$ 7,956,647	\$ 26,572,120	\$ 35,921,817

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 MONTHS ENDED MARCH 31, 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:

	March 31, 2020	December 31, 2019
Raw Material		
Harvested Cannabis	\$ 1,087,290	\$ 960,475
Packaging and miscellaneous	279,975	500,109
Total Raw Material	1,367,265	1,460,584
Work in Process	1,962,561	1,641,922
Finished Goods	3,295,274	2,371,498
Total Inventories	\$ 6,625,100	\$ 5,474,004

During the three months ended March 31, 2020 the Company recognized \$7,746,922 (2019 - \$6,393,446) of inventory expensed to cost of goods sold.

6) Biological Assets

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

	March 31, 2020	December 31, 2019
Beginning balance	\$ 514,526	\$ 915,177
Production costs capitalized	704,393	2,437,980
Net change in fair value less costs to sell due to biological transformation	427,615	1,020,784
Transferred to inventory upon harvest	(1,006,714)	(3,859,415)
Ending balance	\$ 639,820	\$ 514,526

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 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 months ended March 31, 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 165 grams per plant for 2020 (2019 – 195 grams);
- Survival rate – the estimated survival rate of cannabis plants as they move from one stage of growth to the next (from germination to vegetative to flowering) based on the Company’s historical results. As plants mature at each stage, their survival rate increases;
- Price – the average price used of \$5.29 per gram in 2020 (three months March 31, 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:

	March 31, 2020	March 31, 2019	10% change as at	
			March 31, 2020	March 31, 2019
Stage of growth	39.80%	38.50%	\$ 57,374	\$ 92,331
Yield by plant	165 grams	195 grams	144,195	240,022
Survival rate	91.40%	79.80%	131,809	191,637
Wholesale Selling price	\$5.29	\$5.08	55,590	87,665

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

Expressed in United States Dollars, unless otherwise indicated

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	-	-	652,755	269,781	1,164,055	2,086,591
Transfers & disposals	-	-	-	-	-	-
At March 31, 2020	\$ 625,146	\$ 1,698,077	\$ 4,727,840	\$ 27,364,340	\$ 2,942,338	\$ 37,357,741
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	12,799	10,613	403,637	804,996	-	1,232,045
Transfers & disposals	-	-	-	-	-	-
At March 31, 2020	\$ 89,536	\$ 171,871	\$ 1,646,582	\$ 4,384,052	\$ -	\$ 6,292,041
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 March 31, 2020	\$ 535,610	\$ 1,526,206	\$ 3,081,258	\$ 22,980,288	\$ 2,942,338	\$ 31,065,700

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

For the three months ended March 31, 2020 depreciation expense was \$1,232,045 (2019- \$623,764) of which \$372,250 (2019 - \$143,476) was included in cost of goods sold.

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

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8) Right of use Assets

	Buildings	Vehicles	Total
Cost			
Balance at December 31, 2018	\$ -	\$ -	\$ -
IFRS 16 Adoption	7,933,903	148,736	8,082,639
Additions	2,031,486	-	2,031,486
Balance at December 31, 2019	\$ 9,965,389	\$ 148,736	\$ 10,114,125
Additions	-	-	-
Balance at March 31, 2020	\$ 9,965,389	\$ 148,736	\$ 10,114,125
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	155,352	12,868	168,220
Balance at March 31, 2020	\$ 739,271	\$ 64,341	\$ 803,612
Net book value			
At December 31, 2019	\$ 9,381,470	\$ 97,263	\$ 9,478,733
At March 31, 2020	\$ 9,226,118	\$ 84,395	\$ 9,310,513

For the three months ended March 31, 2020 depreciation expense was \$168,220 (2019- \$130,620) of which \$41,007 (2019 - \$13,821) was included in cost of goods sold.

9) Prepaid expenses and other current assets

	March 31, 2020	December 31, 2019
Advertising and marketing	\$ 10,354	\$ 63,808
Security deposits	2,377,939	2,210,249
Funds awaiting clearing from payment processors	39,411	696,178
Merchandise	2,451	3,268
Taxes receivable	37,163	81,948
D&O Insurance	24,646	138,400
Health insurance	231,295	218,131
Licenses	14,127	121,752
Miscellaneous	168,067	160,538
Total	\$ 2,905,453	\$ 3,694,272

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

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10) Notes Payable

Notes payable consist of the following:

Non-related parties

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

11) Lease liabilities

The Company's lease agreements are for cultivation, manufacturing, retail and office premises and for vehicles. The property lease terms range between 7 years and 21 years depending on the facility and are subject to an average of 2 renewal periods of equal length as the original lease. Leases for vehicles are typically between 4 years and 6 years with no renewal terms. When measuring lease liabilities, the lease payments are discounted using the Company's 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.

	March 31, 2020	December 31, 2019
Total lease liabilities	\$ 10,593,968	\$ 10,522,377

The following table summarizes undiscounted future lease payments:

	March 31, 2020	December 31, 2019
Less than one year	\$ 1,393,050	\$ 1,362,139
One to five years	7,956,647	7,879,190
Greater than five years	26,572,120	27,009,732
Total undiscounted future lease payments	\$ 35,921,817	\$ 36,251,061

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

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11) Lease Liabilities (Continued)

The following table summarizes lease-related cash flows for the three months ended March 31, 2020:

Principal repayment	\$	36,907
Interest		292,338
Non-lease components		65,314
Short-term leases		807
Total cash outflows	\$	395,366

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

12) 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	951,153	3,954,518
Shares issued on exercise of options	108,334	258,994
Shares issued on exercise of warrants	964,726	4,889,647
Total Common shares outstanding March 31, 2020 and December 31, 2019	84,451,832	82,427,619
Class A shares		
Balance at January 1	55,232,940	55,232,940
Total Class A Shares outstanding March 31, 2020 and December 31, 2019	55,232,940	55,232,940
Balance March 31, 2020 and December 31, 2019	139,684,772	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.

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

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12) 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.

Three Months ended March 31, 2020

On January 17, 2020 the Company issued 852,153 common shares on the exercise of Restricted Share Units that had vested during the period.

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

On January 17, 2020 the Company issued 33,334 common shares on the exercise of options that had a strike price of CAD\$1.55 per common share resulting in cash proceeds of CAD\$77,335.

On January 31, 2020 the Company issued 33,000 common shares on the exercise of Restricted Share Units that had vested during the period.

On February 29, 2020 the Company issued 33,000 common shares on the exercise of Restricted Share Units that had vested during the period.

On March 31, 2020 the Company issued 33,000 common shares on the exercise of Restricted Share Units that had vested during the period.

During the three months ended March 31, 2020, the Company issued 964,726 common shares to warrant holders who exercised 964,726 warrants resulting in cash proceeds of CAD\$1,312,455 (USD\$942,452).

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

b) Stock options

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

Three months ended March 31, 2020

No incentive stock options were granted during the period.

Three months ended March 31, 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.

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

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12) Share Capital (Continued)

The following table summarizes information about stock options outstanding as at March 31, 2020:

Expiry date	Exercise Price	March 31, 2020	March 31, 2020	December 31, 2019	December 31, 2019
	CAD\$	Outstanding	Exercisable	Outstanding	Exercisable
June 11, 2021	\$0.80	100,000	100,000	175,000	175,000
June 11, 2023	\$0.80	282,674	139,332	282,674	139,332
July 31, 2023	\$0.75	20,000	11,667	20,000	11,667
January 7, 2024	\$1.55	33,334	-	66,668	33,334
June 30, 2024	\$2.60	22,500	7,500	22,500	7,500
July 4, 2022	\$2.65	100,000	75,000	100,000	50,000
		558,508	333,499	666,842	416,833

The employee options vest one third on the grant date and one third on the first and second anniversary of the grant date. The following assumptions were used to arrive at the value ascribed to the options issued using a Black-Scholes Option Pricing model for the period ended March 31, 2019:

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

No incentive stock options were granted during the period ended March 31, 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 three months ended March 31, 2020 was \$30,137 (\$89,459 for the three months ended March 31, 2019).

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

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

	March 31, 2020	December 31, 2019
The outstanding options have a weighted-average CAD\$ exercise price of:	\$1.25	\$1.22
The weighted average remaining life in years of the outstanding options is:	2.75	2.88

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

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12) Share Capital (Continued)

c) Warrants

The following table summarizes warrants outstanding at March 31, 2020:

Date of Issuance	Date of Expiry	CAD\$ Exercise Price	March 31, 2020 Outstanding	December 31, 2019 Outstanding
June 11, 2018	June 11, 2020	\$0.80	-	63,600
June 11, 2018	June 11, 2020	\$1.40	8,779,712	9,680,838
December 4, 2018	December 4, 2020	\$3.00	524,115	524,115
December 4, 2018	December 4, 2021	\$3.75	4,792,525	4,792,525
			14,096,352	15,061,078

	March 31, 2020	December 31, 2019
The outstanding warrants have a weighted-average CAD\$ exercise price of:	\$2.26	\$2.20
The weighted average remaining life in years of the outstanding warrants is:	0.72	0.93

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

Warrant activity	March 31, 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
Exercised	(964,726)	\$1.36	(4,889,647)	\$1.33
Expired	-	-	-	-
Balance – end of the period	14,096,352	\$2.26	15,061,078	\$2.20

The Company received cash proceeds of \$981,491 (CAD\$1,312,455) from the exercise of warrants during the three months ended March 31, 2020. The Company reduced the carrying value of warrants by \$194,779 that was associated with the warrants that were exercised and reallocated this amount to common share capital.

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

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12) Share Capital (Continued)

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 951,153 common shares on the exercise of 951,153 RSUs during the three months ended March 31, 2020 (1,922,786 common shares on the exercise of 1,922,786 RSUs during the three months ended March 31, 2019).

The following table summarizes the RSUs that are outstanding as at March 31, 2020:

Restricted Share Units (RSUs)	Share Price	March 31, 2020	March 31, 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	-	1,549,395	-
July 31, 2018	CAD\$0.75	8,334	-	8,334	-
June 30, 2019	CAD\$2.60	1,863,527	-	2,798,013	-
January 1, 2020	CAD\$2.52	33,333	-	-	-
		3,454,589	-	4,355,742	-

The Company recognize \$780,686 in share-based compensation expense attributable to RSUs vesting during the three months ended March 31, 2020 (\$485,266 for the three months ended March 31, 2019).

	March 31, 2020	December 31, 2019
RSU Activity		
Balance – beginning of year	4,355,742	5,367,691
Granted to participants	50,000	3,259,624
Exercised	(951,153)	(3,954,518)
Cancelled	-	(317,055)
Balance – end of the period	3,454,589	4,355,742

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

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13) General and Administrative Expenses

	For the three months ended	
	March 31,	
	2020	2019
Salaries and wages	\$ 2,103,303	\$ 1,559,717
Executive compensation	279,241	184,986
Licenses and permits	503,438	279,587
Payroll taxes and benefits	441,320	458,723
Supplies and office expenses	106,114	412,509
Subcontractors	334,470	299,344
Professional fees (legal, audit and other)	797,412	748,725
Miscellaneous general and administrative expenses	957,216	596,629
	<u>\$ 5,522,514</u>	<u>\$ 4,540,220</u>

14) Commitments and Contingencies

(a) Construction Commitments

At March 31, 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 March 31, 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 March 31, 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.

PLANET 13 HOLDINGS INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

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14) Commitments and Contingencies (Continued)

(d) Operating Licenses

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

(e) Employment Agreements

The Company has employment agreements in place with its Executive Management team and certain key employees. The annual salaries pursuant to such agreements range from \$100,000 to \$288,000.

15) 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 three months ended March 31, 2020 and 2019:

	Three Months Ended March 31,	Remuneration or fees ⁽¹⁾	Share based payments ⁽¹⁾	Included in accounts payable ⁽¹⁾
Management compensation	2020	\$ 384,405	\$ 482,428	\$ -
	2019	337,655	545,645	-
Director compensation	2020	\$ -	\$ 69,951	\$ -
	2019	-	106,970	-

⁽¹⁾ Amounts disclosed were paid or accrued during the three months ended March 31, 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-CEO. Amounts paid to such company for rent for the three months ended March 31, 2020 and 2019 equaled \$6,010 and \$6,010 respectively. Amounts paid for printed marketing collateral and stationery items equaled \$42,173 and \$nil respectively for the three months ended March 31, 2020 and 2019.

**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019**

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16) Segmented disclosure

a) Operating segments

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

b) Geographic segments

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

17) Capital Management

The Company's capital structure consists of all components of shareholders' equity, leases and notes payable. The Company's objective when managing capital is to maintain adequate levels of funding to support the day-to-day business activities of its cannabis operations in Nevada as well as to fund strategic initiatives, including the buildout of phase II of the Superstore Cannabis Entertainment Complex as well as to fund future expansion opportunities in other locations that may arise and maintain the necessary corporate and administrative functions to facilitate these activities. This has been done primarily through equity financing. Future equity financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future.

The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the three months ended March 31, 2020 or the year ended December 31, 2019. The Company is not subject to externally imposed capital requirements.

18) Subsequent Events

On March 11, 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. 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 at this time.

Between April 1, 2020, and June 1, 2020, the Company issued 2,480,700 common shares on the exercise of common share purchase warrants with a strike price of CAD\$1.40. The Company realized cash proceeds of \$2,497,625 (CAD\$3,472,980).

On April 30, 2020, the Company issued 33,000 common shares on the exercise of 33,000 vested RSUs.

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 to the vendors on closing. The Company will account for this acquisition as an asset purchase as Newtonian Principles, Inc. was deemed to not be a business under IFRS 3.

On May 29, 2020, the Company issued 33,000 common shares on the exercise of 33,000 vested RSUs.