CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Expressed in United States Dollars

MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Planet 13 Holdings Inc.:

Management is responsible for the preparation and presentation of the accompanying 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 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 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 consolidated financial statements were approved by the Board of Directors on April 5, 2021 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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Planet 13 Holdings Inc.

Opinion

We have audited the accompanying consolidated financial statements of Planet 13 Holdings Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019 and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Erez Bahar.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 5, 2021

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Expressed in United States Dollars	As at December 31, 2020	As at December 31, 2019
Assets		
Current Assets		
Cash	$ 79,000,850	$ 12,814,712
HST receivable	103,445	16,544
Inventories (Note 6)	7,334,717	5,474,004
Biological assets (Note 7)	640,995	514,526
Prepaid expenses and other current assets (Note 11)	2,637,547	3,694,272
Total Current Assets	**89,717,554**	**22,514,058**
Property and equipment (Note 8)	32,073,925	30,211,154
Licenses (Note 9)	7,007,362	-
Right of use assets (Note 10)	20,149,721	9,478,733
Long-term deposits and other assets	1,054,443	694,601
	60,285,451	**40,384,488**
Total Assets	**$ 150,003,005**	**$ 62,898,546**
Liabilities		
Current Liabilities		
Accounts payable	$ 1,683,833	$ 864,260
Accrued expenses	2,844,714	1,910,046
Income taxes payable	1,220,652	7,015,606
Notes payable - current portion (Note 12)	884,000	884,000
Total Current Liabilities	**6,633,199**	**10,673,912**
Long -term lease liabilities (Note 13)	22,326,077	10,522,377
Other long-term liabilities	28,000	28,000
Deferred tax liability (Note 19)	313,422	379,665
	22,667,499	**10,930,042**
Total Liabilities	**29,300,698**	**21,603,954**
Shareholders' Equity		
Share capital (Note 14)	139,177,034	51,986,849
Restricted share units (Note 14)	3,262,351	4,119,485
Warrants (Note 14)	6,972,053	5,961,091
Option reserve (Note 14)	276,081	399,439
Accumulated other comprehensive loss	(479,122)	(607,707)
Deficit	(28,506,090)	(20,564,565)
Total Shareholders' Equity	**120,702,307**	**41,294,592**
Total Liabilities and Shareholders' Equity	**$ 150,003,005**	**$ 62,898,546**

Nature of operations (Note 1)
Commitment and Contingencies (Note 17)
Subsequent events (Note 22)

The 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

--The accompanying notes form an integral part of the consolidated financial statements--

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

Expressed in United States Dollars	Year Ended December 31, 2020	Year Ended December 31, 2019
Revenue		
Revenues, net of discounts	$ 70,491,280	$ 63,595,036
Cost of Goods Sold	(36,291,251)	(27,139,658)
Gross Profit before fair value asset adjustment	**34,200,029**	**36,455,378**
Realized fair value amounts included in inventory sold	(1,104,525)	(1,500,965)
Unrealized fair value gain on growth of biological assets	2,276,141	1,020,784
Gross Profit	**35,371,645**	**35,975,197**
Expenses		
General and Administrative (Note 15)	24,667,172	20,269,839
Sales and Marketing	3,305,640	6,539,483
Depreciation and Amortization (Note 8 & 10)	4,155,741	2,845,464
Share-Based Compensation Expense (Note 14 and Note 18)	2,512,568	4,822,787
Total Expenses	**34,641,121**	**34,477,573**
Income From Operations	**730,524**	**1,497,624**
Other Expense:		
Interest expense, net	1,796,641	1,306,876
Realized foreign exchange loss	-	(1,141)
Other income	(216,849)	(350,775)
Total Other Expense	**1,579,792**	**954,960**
Income (Loss) before income taxes	**(849,268)**	**542,664**
Provision for tax - current (Note 19)	7,158,500	7,292,188
Provision for tax - deferred (Note 19)	(66,243)	(91,191)
Loss for the year	**$ (7,941,525)**	**$ (6,658,333)**
Other Comprehensive Income		
Foreign exchange translation gain	128,585	195,213
Net Comprehensive Loss for the year	**$ (7,812,940)**	**$ (6,463,120)**
Loss per share for the year		
Basic and diluted loss per share (Note 16)	**($0.05)**	**($0.05)**
Weighted Average Number of Common Shares Outstanding		
Basic and Diluted	151,825,439	134,074,476

--The accompanying notes form an integral part of the consolidated financial statements--

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Expressed in United States Dollars	Number of shares outstanding	Common Share Capital	Class A Restricted Shares	Restricted Share Units	Warrants	Option Reserve	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Equity
Balance at January 1, 2019	128,557,400	**$ 36,841,705**	**$ 5,619,119**	**$ 2,800,335**	**$ 7,046,843**	**$ 305,890**	**$ (802,920)**	**$ (13,906,232)**	**$ 37,904,740**
Shares issued on exercise of RSUs	3,954,518	3,245,017	-	(3,245,017)	-	-	-	-	-
Share based compensation - RSUs	-	-	-	4,564,167	-	-	-	-	4,564,167
Shares issued on exercise of warrants	4,889,647	5,940,463	-	-	(1,085,752)	-	-	-	4,854,711
Shares issued on exercise of options	258,994	340,545	-	-	-	(165,071)			175,474
Share based compensation - options	-	-	-	-	-	258,620	-	-	258,620
Cumulative foreign exchange gain	-	-	-	-	-	-	195,213	-	195,213
Net loss for the year	-	-	-	-	-	-	-	(6,658,333)	(6,658,333)
Balance December 31, 2019	**137,660,559**	**46,367,730**	**5,619,119**	**4,119,485**	**5,961,091**	**399,439**	**(607,707)**	**(20,564,565)**	**41,294,592**
Balance at January 1, 2020	**137,660,559**	**$ 46,367,730**	**$ 5,619,119**	**$ 4,119,485**	**$ 5,961,091**	**$ 399,439**	**$ (607,707)**	**$ (20,564,565)**	**$ 41,294,592**
Shares issued for acquisition	3,940,932	-	4,453,831	-	-	-	-	-	4,453,831
Shares issued on conversion from Restricted Shares to Common		4,453,831	(4,453,831)						
Shares issued for acquisition	1,374,833	2,918,277	-	-	-	-	-	-	2,918,277
Shares issued on exercise of RSUs	2,685,344	3,313,152	-	(3,313,152)	-	-	-	-	-
Share based compensation - RSUs	-	-	-	2,456,018	-	-	-	-	2,456,018
Shares issued on exercise of warrants	17,532,271	41,042,177	-	-	(8,388,728)	-	-	-	32,653,449
Share issuance on exercise of options	333,001	397,898	-	-	-	(179,908)	-	-	217,990
Share based compensation - options	-	-	-	-	-	56,550	-	-	56,550
Shares issued on bought deal financings - net	18,279,250	35,064,850	-	-	9,399,690	-	-	-	44,464,540
Cumulative foreign exchange gain	-	-	-	-	-	-	128,585	-	128,585
Net loss for the year	-	-	-	-	-	-	-	(7,941,525)	(7,941,525)
Balance December 31, 2020	**181,806,190**	**$ 133,557,915**	**$ 5,619,119**	**$ 3,262,351**	**$ 6,972,053**	**$ 276,081**	**$ (479,122)**	**$ (28,506,090)**	**$ 120,702,307**

--The accompanying notes form an integral part of the consolidated financial statements--

CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in United States Dollars	Year Ended December 31, 2020	Year Ended December 31, 2019
Operating activities		
Net loss for the year	$ (7,941,525)	$ (6,658,333)
Add (deduct) non-cash items:		
Share based payments (Note 14 and 18)	2,512,568	4,822,787
Depreciation and amortization (Note 8 and 10)	6,056,031	3,607,286
Deferred tax liability	(66,243)	(91,191)
Write-off of fixed assets during the year	-	82,882
Non-cash interest expense on ROU Liabilities (Note 13)	2,559,047	1,367,759
Net change in non-cash working capital		
HST receivable	(91,533)	85,287
Inventories (Note 6)	(227,841)	(151,893)
Biological assets (Note 7)	(126,469)	400,651
Prepaid expenses and other assets (Note 11)	1,178,734	(2,426,866)
Long term deposits and other assets	(359,842)	(100,262)
Accounts payable	452,393	(856,462)
Accrued expenses	934,669	603,902
Income tax payable	(5,794,954)	4,828,497
Other long-term liabilities	-	28,000
Cash flow provided by (used in) operating activities	**(914,965)**	**5,542,044**
Investing activities		
Purchase of property, plant and equipment (Note 8)	(4,481,058)	(16,061,582)
Purchase of licenses (Note 9)	(3,550,400)	-
Cash flow used in investing activities	**(8,031,458)**	**(16,061,582)**
Financing activities		
Issuance of shares on warrant and option exercises (Note 14)	32,871,439	5,030,185
Issuance of shares and warrants on financings	44,464,540	-
Payment on lease liabilities	(2,337,006)	(1,247,546)
Cash flow provided by financing activities	**74,998,973**	**3,782,639**
Net increase in cash	**66,052,550**	**(6,736,899)**
Cash at beginning of the year	12,814,712	19,364,086
Effect of foreign exchange on cash	133,588	187,525
Cash at end of the year	**$ 79,000,850**	**$ 12,814,712**

--The accompanying notes form an integral part of the consolidated financial statements--

CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in United States Dollars	Year Ended December 31, 2020	Year Ended December 31, 2019
Supplemental Disclosure of Cash Flow		
Cash paid during the year for:		
Income taxes	$ 12,953,454	$ -
Non-cash activities		
Carrying value of warrants exercised	$ 8,388,728	$ 1,085,752
Carrying value of RSUs exercised	$ 3,313,152	$ 3,245,017
Carrying value of options exercised	$ 179,908	$ 165,071
Licenses and intangible assets	$ 4,453,831	$ -
Construction in progress in accounts payable	$ 369,066	$ -
Lease Liabilities	$ 11,457,788	$ 2,024,768
Additions to building and structures on IFRS 16 adoption	$ -	$ 8,030,503
Additions to Lease Liabilities on IFRS 16 adoption	$ -	$ 7,906,631
Reclassification of prepaid rent to Lease Liabilities on IFRS 16 adoption	$ -	$ 123,872
Right of Use Assets	$ 11,457,392	$ 2,024,768

1) Nature of operations

Planet 13 Holdings Inc. ("P13" 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 licensed under the laws of the State of Nevada, with six licenses for cultivation (three medical and three recreational), six licenses for production (three medical and three recreational), and three dispensary licenses (one medical license and two recreational licenses). In addition, the Company holds one recreational dispensary licence in the city of Santa Ana, California.

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

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

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. The outbreak of this contagious disease, along with the related adverse public health developments, have negatively affected workforces, economies and financial markets on a global scale. The Company incurred lower revenues, and additional expenditures related to COVID-19 during the first half of 2020. During the first half of 2020 the Company's operations in Nevada were mandated as an essential service but were restricted to delivery only, with no curb-side pickup or in-store sales permitted until such delivery-only order was lifted on May 30, 2020. The Company's operating results were not materially impacted during the second half of 2020. 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.

The Company is subject to risks common in the life sciences and consumer products industries including, but not limited to, compliance with government regulations, regulatory approvals, competitive markets, new technological innovations, protection of proprietary technology, dependence on key personnel, uncertainty of market acceptance and the need to obtain additional financing.

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 by statute 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.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the going concern assumption, 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. The Company's ability to realize its assets and discharge its liabilities is dependent upon the Company obtaining the necessary financing and ultimately upon its ability to achieve profitable operations. Management estimates that the Company will be able to meet its obligations and to sustain operations for at least the next twelve months.

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 consolidated financial

Expressed in United States Dollars

1) Nature of operations (continued)

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.

2) Statement of Compliance

These consolidated financial statements have been prepared in accordance with IFRS and interpretations of the IFRS Interpretations Committee ("IFRIC") as issued by the International Accounting Standards Board ("IASB") in effect for the years ended December 31, 2020 and 2019.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on April 5, 2021.

3) Summary of significant accounting policies

(a) Basis of Measurement

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

(b) Principles of Consolidation

These consolidated financial statements for the years ended December 31, 2020 and 2019 include the financial position, results of operations and cash flows of the Company and its subsidiaries. The Company's subsidiaries as at December 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 CBD LLC. ("LBC")	USA	100%	CBD Retail Sales and Marketing
Newtonian Principles Inc.	USA	100%	Cannabis Retail Sales
MM Development MI, Inc.	USA	100%	Holding Company
MM Development CA, Inc.	USA	100%	Holding Company
Planet 13 Illinois, LLC	USA	49%	Holding Company
BLC NV Food, LLC	USA	100%	Food Retailing
By The Slice, LLC	USA	100%	Food Retailing

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

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

3) Summary of significant accounting policies (continued)

(c) Functional Currency

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

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

Realized and unrealized exchange gains and losses are recognized in the consolidated statement 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.

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

(d) Revenue Recognition

In accordance with IFRS 15, Revenue from Contracts with Customers, revenue is recognized when a customer obtains control of promised goods or services. The amount of revenue reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods or services. The Company applies the following five-step analysis to determine whether, how much and when revenue is recognized: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to the performance obligations in the contract; and (5) Recognize revenue when or as the Company satisfies a performance obligation.

Under IFRS 15, revenue from the sale of medicinal cannabis and derivative products is generally recognized at a point in time when control over the goods has been transferred to the customer. Payment is generally due prior to transfer of the goods and is recognized as revenue upon the satisfaction of the performance obligation. The Company satisfies its performance obligation and transfers control upon delivery and acceptance by the customer, the timing of which is consistent with the Company's previous revenue recognition policy.

Based on analysis of its operations, the Company concluded there is no requirement to disaggregate revenue.

Sales taxes

Sales taxes collected from customers are excluded from revenues.

(e) Cash and cash equivalents

Cash and cash equivalents are classified as financial assets and are measured initially at fair value and subsequently on an amortized cost basis. Cash includes cash deposits in financial institutions plus cash held at the retail location and other deposits that are readily convertible into cash. For the years presented, the Company did not have any cash equivalents.

(f) Inventory

Inventories of harvested cannabis are transferred from biological assets at their fair value less cost to sell at harvest, which becomes the initial deemed cost. All subsequent direct and indirect post-harvest costs are capitalized to inventory as

3) Summary of significant accounting policies (continued)

packaging and miscellaneous consumables, harvested work-in-process, finished

incurred, including labour related costs, consumables, materials, packaging supplies, utilities, facilities costs, quality and testing costs, and production related depreciation. Inventories of raw materials that is comprised of harvested cannabis,

goods and inventories for resale and are valued at the lower of cost and net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business and the estimated costs necessary to make the sale. Inventories of purchased finished goods and packing materials are initially valued at cost and subsequently at the lower of cost and net realizable value and are measured on a first-in-first-out ("FIFO") basis.

The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventory are written-down to net realizable value.

(g) Biological Assets

The Company measures biological assets consisting of cannabis plants at fair value less costs to sell up to the point of harvest. The Company capitalizes all the direct and indirect costs as incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest including labor related costs, materials, utilities, facilities costs, quality and testing costs, and production related depreciation and include such capitalized production costs in the fair value measurement of biological assets. Subsequently, such costs are recorded within the line item "cost of goods sold" on the consolidated statements of operations and comprehensive loss in the year that the related product is sold. Cannabis is measured at fair value less costs to sell at the point of harvest, which becomes the basis for the cost of harvested goods inventories after harvest.

Gains or losses arising from the net change in fair value less costs to sell due to biological asset transformation exclusive of capitalized production costs, are included in gross profit under fair value adjustments within the results of operations of the related year. Upon harvest, capitalized production costs are transferred to inventory and are included in the fair value adjustments on inventory sold within the consolidated statements of operations and comprehensive loss during the year in which the harvested cannabis is sold. Fair value adjustments relating to the net recoverable value of inventory at the end of the year is included in the fair value adjustments on carrying amount of inventory.

The Company determines the fair value of biological assets using a specific valuation technique that incorporates interdependent estimates and assumptions including the stage of growth of the cannabis plant, selling and other fulfillment costs, average selling prices, and expected yields for the cannabis plants to determine the weighted average fair value cost per gram.

(h) Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and impairment losses, if any. Expenditures that materially increase the life of the assets are capitalized. Ordinary repairs and maintenance are expensed as incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset using the following terms and methods:

	Estimated Useful Life
Land	Not Depreciated
Land improvements	5 Years
Buildings and Structures	5 to 40 Years
All Equipment	5-7 Years
Leasehold Improvements	Shorter of Estimated Useful Life or Remaining Life of Lease

3) Summary of significant accounting policies (continued)

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively if appropriate.

An item of property or equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statements of operations and comprehensive loss in the year the asset is derecognized.

Construction in progress is not depreciated until it is completed and available for use.

The Company assesses impairment on property, plant and equipment when an indication of impairment occurs, such as evidence of obsolescence or physical damage. In assessing impairment, the Company compares the carrying amount to the recoverable amount which is determined as the higher of the asset's fair values less costs of disposal and its value in use. Value in use is assessed based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized whenever the carrying amount of the asset exceeds its recoverable amount and is recorded in the consolidated statements of comprehensive loss. If, as a result , the estimates used to determine the impairment on property, plant and equipment have improved since the last impairment loss was recognized, the impairment loss that was previously recognized is reversed and is recorded in the consolidated statements of comprehensive loss.

(i) Licenses

Licenses are recorded at cost, less accumulated amortization and impairment losses, if any. Licenses acquired in a business combination are measured at fair value at the acquisition date. Licenses are recorded at cost less accumulated amortization and impairment losses, if any. Amortization of definite life licenses is recognized on a straight-line basis over their estimated useful lives. The estimated useful lives, residual values and amortization methods are reviewed at each year-end, and any changes in estimates are accounted for prospectively. As of December 31, 2020 and 2019, the Company has determined that no impairment exists. Licenses are amortized using the straight-line method over estimated useful lives as follows:

	Estimated Useful life
Licenses	10-15 years

(j) Impairment of long-lived assets and licenses

Long-lived assets and licenses are reviewed for impairment at each reporting period or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss equal to the amount by which the carrying amount exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

3) Summary of significant accounting policies (continued)

The estimated useful lives, residual values, and amortization methods are reviewed at each year end or more frequently if events or changes in circumstances indicate potential impairment, and any changes in estimates are accounted for prospectively.

(k) Leases

Right of use assets and lease liability

IFRS 16, Leases, was issued by the IASB in January 2016. It replaced IAS 17, Leases, for reporting periods beginning on or after January 1, 2019. The Company adopted IFRS 16 retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. Accordingly, the Company did not restate comparative information and instead recognized the cumulative effect of applying IFRS 16 as an adjustment to the opening balance sheet at the date of initial application. The Company applies the standard only to leases which were previously identified as leases under IAS 17 and IFRIC 4 in accordance with the practical expedient allowed under the standard. The Company's lease arrangements are comprised primarily of building and office leases. The adoption of this standard resulted in almost all current leases being recognized on the statement of financial position, except for short-term and low-value leases. On January 1, 2019, the Company recognized right-of-use assets of $8,802,639, a corresponding lease liability of $8,494,971.

At inception of a contract, the Company assesses whether a contract conveys the right to control the use of an identified asset for a period in exchange for consideration, in which case it is classified as a lease. The Company recognizes a right-of-use asset (lease asset) and a lease liability at the lease commencement date. The asset is initially measured at

cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received. The lease asset is subsequently depreciated using the straight-line method from the commencement date to the end of the useful life of the right-of-use asset, considered to be indicated by the lease term. The lease asset is periodically adjusted for certain remeasurements of the lease liability and impairment losses (if any). The lease liability is initially measured at the present value of outstanding lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method and is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. A corresponding adjustment is made to the

carrying amount of the right-of-use asset with any excess over the carrying amount of the asset being recognized in profit or loss. The Company has elected not to recognize lease assets and lease liabilities for short-term leases (leases with a term of 12 months or less) and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(l) Share Based Payments

Equity-settled share-based payments to employees are measured at the fair value of the stock options and Restricted Share Units ("RSUs") at the grant date and recognized in expense over the vesting periods.

Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve for options and to restricted share units for RSUs.

3) Summary of significant accounting policies (continued)

The fair value of options is determined using the Black–Scholes option pricing model. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Amounts recorded for forfeited or expired unexercised options are transferred to deficit in the year of forfeiture or expiry. Upon the exercise of stock options, consideration received on the exercise of these equity instruments is recorded as share capital and the related share-based payment reserve is transferred to share capital.

The fair value of RSUs is determined using the closing market price of the Company's shares on the day of granting. The number of RSUs expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Amounts recorded for forfeited or expired RSUs are transferred to deficit in the year of forfeiture or expiry. Upon the issuance of common shares in exchange for vested RSUs, the amount of the related Restricted Share Unit reserve is transferred to share capital.

The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a prorated basis using relative fair values of common shares and warrants. The fair value of common share purchase warrants is determined using the Black- Scholes option pricing model.

(m) Share Capital

Share capital issued for non-monetary consideration is recorded at an amount based on fair market value of the shares on the date of issue. Transaction costs directly attributable to the issuance of common shares are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants together with amounts previously recorded in reserves over the vesting periods are recorded as share capital.

The Company issued share purchase warrants and determined the fair value using the Black-Scholes option pricing model. The fair value of broker warrants were recognized as share issue costs and recorded to reserves. The Company

The Company accounts for options and warrants that expire unexercised or that are forfeited by leaving the amounts previously recorded in reserves over the vesting periods in either Option Reserve (in the case of stock options) or Warrants (for share purchase warrants).

(n) Income Taxes

Tax expense recognized in profit or loss comprises the sum of current and deferred taxes not recognized in other comprehensive income or directly in equity.

Current tax

Current tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted at the end of the reporting period. Deferred tax liabilities are always provided for in full.

3) Summary of significant accounting policies (continued)

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

As the Company operates in the cannabis industry, it is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to the cost of producing the products or cost of production. This results in permanent differences between ordinary and necessary business expenses deemed unallowable under Internal Revenue Code ("IRC") Section 280E.

Treatment of the Company as a U.S. Corporation

The Company believes that, pursuant to Section 7874 of the Code, even though it is organized as a Canadian corporation, the Company should be treated as a U.S. domestic corporation for U.S. federal income tax purposes. Because the Company is a taxable corporation in Canada, it is likely to be subject to income taxation in both the United States and Canada on the same income, which in turn, may reduce the amount of income available for distribution to shareholders. The balance of this discussion assumes the Company is a U.S. domestic corporation for U.S. federal income tax purposes. However, no tax opinion or ruling from the Internal Revenue Service ("IRS") concerning the U.S. federal income tax characterization of the Company has been obtained and none will be requested. Thus, there can be no assurance that the IRS will not challenge the characterization of the Company as a domestic corporation, or that if challenged, a U.S. court would not agree with the IRS. If the Company is not treated as a U.S. domestic corporation, then the acquisition, ownership and disposition of common shares, warrants and common shares received on the exercise of warrants may have materially different implications for Non-U.S. Holders.

(o) Earnings Per Share

The Company calculates basic loss per share by dividing net loss by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise convertible debentures, restricted share units, warrants and share options issued.

(p) Related Party

The Company considers a person or entity as a related party if they are a member of key management personnel including their close relatives, an associate or joint venture, those having significant influence over the Company, as well as entities that are controlled by related parties.

(q) Fair Value Hierarchy

Financial instruments

Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit and loss ("FVTPL"), transaction costs. Financial assets are subsequently measured at:

i) FVTPL;
ii) amortized cost;
iii) debt measured at fair value through other comprehensive income ("FVOCI");
iv) equity investments designated at FVOCI; or
v) financial instruments designated at FVTPL.

3) Summary of significant accounting policies (continued)

The classification is based on whether the contractual cash flow characteristics represent "solely payment of principal and interest" (the "SPPI test") as well as the business model under which the financial assets are managed. Financial assets are required to be reclassified only when the business model under which they are managed has changed. All reclassifications are to be applied prospectively from the reclassification date.

The following table shows the classification for each financial asset/liability:

Financial assets / liabilities	**Classification**
Cash	Amortized cost
Accounts receivable	Amortized cost
Prepaid expenses and other current and non-current assets	Amortized cost
Accounts payable	Amortized cost
Accrued expenses	Amortized cost
Income tax payable	Amortized cost
Other long-term liabilities	Amortized cost
Long-term debt	Amortized cost

Impairment of financial assets

The Company applies an expected credit loss ("ECL") model to all debt financial assets not held at FVTPL, where credit losses that are expected to transpire in futures years are provided for, irrespective of whether a loss event has occurred or not as of the balance sheet date. For trade receivables, the Company has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses taking into considerations historical credit loss experience and financial factors specific to the debtors and general economic conditions.

Measurements of fair values

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are summarized below:
Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
Level 3 – Inputs for the asset or liability that are not based on observable market data.

(r) Asset Acquisitions

If an entity acquires an asset or a group of assets (including any liabilities assumed) that does not constitute a business, then the transaction is outside the scope of IFRS 3. The Company accounts for such transactions as asset acquisitions in which the cost of the acquisition is allocated between the individual identifiable assets in the group based on their relative fair values at the date of acquisition.

(s) Recently issued and newly adopted accounting pronouncements

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

The calculation of the Company's tax liabilities involve dealing with uncertainties in the application of complex tax laws and regulations for both federal taxes and the states in which the Company operates. IFRIC 23 Clarifies the application of recognition and measurement requirements in IAS 12 – Income Taxes when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers uncertain tax treatments separately or as a group, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted. The adoption of this standard did not have a material impact on the financial statements.

3) Summary of significant accounting policies (continued)

(iii) IFRS 3 – Business Combinations

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 was adopted on January 1, 2020. The adoption of this standard did not have a material impact on the financial statements.

(iv) *IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors*

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. These amendments were adopted on January 1, 2020. The adoption of these standard did not have a material impact on the financial statements.

4) Significant accounting judgements, estimates and assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions about the carrying amount and classification of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Significant judgements, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

a) Critical estimates

Useful life of property and equipment

Depreciation of property and equipment is dependent upon estimates of useful lives and residual values which are determined through the exercise of judgement. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets. The Company reviews the estimated lives of its property and equipment at the end of each reporting period. There were no material changes in the lives of property and equipment during the year ended December 31, 2020 or the year ended December 31, 2019.

Share-based payments

The Company uses the Black-Scholes valuation model to determine the fair value of options and warrants granted to employees and non-employees under share-based payment arrangements, where appropriate. In instances where equity awards have performance or market conditions, the Company utilizes the Monte Carlo valuation model to simulate the various outcomes that affect the value of the award. In estimating fair value, management is required to make certain assumptions and estimates such as the expected term of the instrument, volatility of the Company's future share price, risk free rates, future dividend yields and estimated forfeitures at the initial grant date, by reference to the underlying terms of the instrument, and the Company's experience with similar instruments. Changes in assumptions used to estimate fair value could result in materially different results.

4) Significant accounting judgements, estimates and assumptions (continued)

Estimated useful lives and amortization of licenses

Amortization of licenses is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any.

Deferred tax assets and liabilities

The Company recognizes deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the respective tax bases of its assets and liabilities. The Company measures deferred tax assets and liabilities using current enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to reverse. The Company routinely evaluates the likelihood of realizing the benefit of its deferred tax assets and may record a valuation allowance if, based on all available evidence, it determines that some portion of the tax benefit will not be realized.

In evaluating the ability to recover deferred tax assets within the jurisdiction from which they arise, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies and results of operations. In projecting future taxable income, the Company considers historical results and incorporates assumptions about the amount of future state, federal and foreign pre-tax operating income adjusted for items that do not have tax consequences. The Company's assumptions regarding future taxable income are consistent with the plans and estimates that are used to manage its underlying businesses. In evaluating the objective evidence that historical results provide, the Company considers three years of cumulative operating income/ (loss). The income tax expense, deferred tax assets and liabilities and liabilities for unrecognized tax benefits reflect the Company's best assessment of estimated current and future taxes to be paid. Deferred tax asset valuation allowances and liabilities for unrecognized tax benefits require significant judgment regarding applicable statutes and their related interpretation, the status of various income tax audits and the Company's particular facts and circumstances. Although the Company believes that the judgments and estimates discussed herein are reasonable, actual results, including forecasted COVID-19 business recovery, could differ, and the Company may be exposed to losses or gains that could be material. To the extent the Company prevails in matters for which a liability has been established or is required to pay amounts in excess of the established liability, the effective income tax rate in a given financial statement period could be materially affected.

Biological assets

Biological assets, consisting of unharvested cannabis plants, are dependent upon estimates of future economic benefits resulting from past events to determine the fair value through an exercise of significant judgment by the Company. In estimating the fair value of its biological assets, the Company uses market observable data to the extent it is available. When market observable data is not available, the Company engages qualified third-party valuation consultants to perform the valuation. Biological assets are measured at fair value less costs to sell up to the point of harvest.

With respect to biological assets, where there is no active market for the unharvested produce, determination of the fair values of the biological assets requires the Company to make assumptions about how market participants assign fair values to these assets. These assumptions primarily relate to estimating the stage of growth of the cannabis plant, selling and other fulfilment costs, average selling prices and expected yields for the plants.

Valuation of inventory

Inventory consists of dried cannabis, concentrate products, edible products, work-in-progress products, accessories and supplies. Inventory is measured at the lower of cost or net realizable value, which includes the deemed costs

Expressed in United States Dollars

4) Significant accounting judgements, estimates and assumptions (continued)

arising from the fair value measurement gains on the transformation of biological assets. These deemed costs are estimated using assumptions that include, but are not limited to, estimated stage of growth of the cannabis plant, selling and other fulfilment costs, average selling prices, and expected yields for the cannabis plants. Any change in these assumptions could negatively impact operational results, the actual realizable value of inventory and future expected gains.

5) Financial instruments and risk management

a) Fair value hierarchy

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

The fair value of hierarchy has the following levels:

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

The Company's financial instruments include cash, accounts payable, accrued expenses and notes payable. 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 December 31, 2020 and 2019:

	December 31, 2020		December 31, 2019	
Amortized cost	**Fair Value**	**Carrying value**	**Fair Value**	**Carrying value**
Financial Assets:				
Cash	$ 79,000,850	$ 79,000,850	$ 12,814,712	$ 12,814,712
Financial Liabilities				
Accounts Payable	$ 1,683,833	$ 1,683,833	$ 864,260	$ 864,260
Accrued expenses	2,844,714	2,844,714	1,910,046	1,910,046
Notes payable - current	884,000	884,000	884,000	884,000
Total	$ 5,412,547	$ 5,412,547	$ 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.

Expressed in United States Dollars

5) Financial instruments and risk management (Continued)

d) Currency risk

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

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

	Assets	Liabilities
Canadian Dollars	$21,617,313	$57,407

Based on the financial instruments held as at December 31, 2020, the Company's other comprehensive income (loss) would have changed by $1,557,815 had the US dollar shifted by 10% as a result of foreign exchange effect on translation of non-US dollar denominated financial instruments.

At December 31, 2020 and 2019, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

e) Liquidity risk

Prudent liquidity risk management implies maintaining at all times sufficient cash, liquid investments and committed credit facilities to meet the Company's commitments as they arise. The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows. Where insufficient liquidity may exist, the Company may pursue various debt and equity instruments for short or long-term financing of its operations. The Company has the following contractual obligations:

As at December 31, 2020

	<1 Year	1 to 5 Years	Thereafter	Total
Accounts Payable	$ 1,683,833	$ -	$ -	$ 1,683,833
Accrued expenses	$ 2,844,714	$ -	$ -	$ 2,844,714
Income taxes payable	$ 1,220,652	$ -	$ -	$ 1,220,652
Notes Payable	$ 884,000	$ -	$ -	$ 884,000
Lease liabilities	$ 3,237,879	$ 14,187,432	$ 49,857,920	$ 67,283,231

f) Pricing risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. See Note 7 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.

Expressed in United States Dollars

5) Financial instruments and risk management (Continued)

h) Banking Risk

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

i) Asset Forfeiture Risk

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

6) 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:

	December 31, 2020	December 31, 2019
Raw Material		
Harvested Cannabis	$ 1,291,905	$ 960,475
Packaging and miscellaneous	566,157	500,109
Total Raw Material	1,858,062	1,460,584
Work in Process	2,115,752	1,641,922
Finished Goods	3,360,903	2,371,498
Total Inventories	$ 7,334,717	$ 5,474,004

Cost of Inventory is recognized as an expense when sold and included in cost of goods sold. During the year ended December 31, 2020, the Company recognized $36,291,251 (2019 - $27,139,658) of inventory expensed to cost of goods sold.

Expressed in United States Dollars

7) Biological Assets

Biological assets consist of cannabis plants. At December 31, 2020, and 2019, the changes in the carrying value of biological assets are shown below:

Harvest in Process	December 31, 2020	December 31, 2019
Beginning balance	$ 514,526	$ 915,177
Biological assets acquired	326,592	-
Production costs capitalized	4,733,966	2,437,980
Net change in fair value less costs to sell due to biological transformation	2,276,141	1,020,784
Transferred to inventory upon harvest	(7,210,230)	(3,859,415)
Ending balance	$ 640,995	$ 514,526

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 growing cycle is 110 days from propagation to harvest for both 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 79 grams per plant for 2020 (2019 – 140 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;
- Wholesale selling price – the average price used is $4.73 per gram in 2020 (2019- $5.29)
- 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 Company expenses such subsequent expenditures directly to cost of goods sold.

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

Expressed in United States Dollars

7) Biological Assets (continued)

			10% change as at	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Stage of growth	38.80%	31.10%	$ 78,751	$ 54,523
Yield by plant	79 grams	140 grams	202,828	175,448
Survival rate	89.50%	83.60%	181,510	146,676
Wholesale Selling price	$4.73	$5.29	64,100	55,590

The Company's estimates are subject to change and differences from the expected yield will be recognized as a gain or loss on biological assets in future periods.

8) 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	-	9,817	2,096,736	2,110,612	3,174,371	7,391,536
Transfers & disposals	-	-	65,435	1,242,871	(1,585,399)	(277,093)
At December 31, 2020	$ 625,146	$ 1,707,894	$ 6,237,256	$30,448,042	$ 3,367,255	$ 42,385,593
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	51,194	42,492	1,034,935	4,141,006	-	5,269,627
Transfers & disposals	-	-	(17,955)	-	-	(17,955)
At December 31, 2020	$ 127,931	$ 203,750	$ 2,259,925	$ 7,720,062	$ -	$ 10,311,668
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 December 31, 2020	**$ 497,215**	**$ 1,504,144**	**$ 3,977,331**	**$22,727,980**	**$ 3,367,255**	**$ 32,073,925**

As at December 31, 2020, costs related to the construction of facilities were capitalized as construction in progress and not amortized. Amortization will commence when construction is completed, and the facility is available for its intended use. The contractual construction commitment on the Superstore Entertainment Complex at December 31, 2020 was $*nil* (2019 – $4,516,513). On December 14, 2020, the Company entered into a Guaranteed Maximum Price Construction Agreement for the phase I build out of its planned Planet 13 Orange County cannabis entertainment complex in Santa Ana, California. The construction commitment as at December 31, 2020, was $7,084,300 (December 31, 2019 - $Nil) (Note 17).

Expressed in United States Dollars

8) Property and Equipment (continued)

For the year ended December 31, 2020 depreciation expense was $5,269,627 (2019- $2,971,894) of which $1,628,858 (2019 - $695,388) was included in cost of goods sold.

During the year ended December 31, 2020 on completion of Construction in Progress, the Company transferred $1,242,871 (2019 - $5,146,336) to Leasehold Improvements and transferred $65,435 (2019 - $950,535) to Equipment.

9) Licenses

	Retail Dispensary Santa Ana	Retail Dispensary Clark County	Cultivation and Production Clark County	Total
Cost				
Balance at December 31, 2018 and 2019	$ -	$ -	$ -	$ -
Additions	5,607,564	690,000	709,798	7,007,362
Balance at December 31, 2020	$ 5,607,564	$ 690,000	$ 709,798	$ 7,007,362
Accumulated Depreciation				
Balance at December 31, 2018 and 2019	$ -	$ -	$ -	$ -
Amortization	-	-	-	-
Balance at December 31, 2020	$ -	$ -	$ -	$ -
Net book value				
At December 31, 2018 and 2019	$ -	$ -	$ -	$ -
At December 31, 2020	$ 5,607,564	$ 690,000	$ 709,798	$ 7,007,362

Santa Ana acquisition

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. The acquisition was accounted for as an asset purchase acquisition as Newtonian Principles, Inc. was deemed to not be a business under IFRS 3.

The following table summarizes the allocation of consideration exchanged to the estimated fair value of identifiable intangible assets acquired assumed:

Consideration paid:	
Cash	$ 1,000,000
Issuance of 3,940,932 Class A shares (Note 14)	4,453,831
Transaction costs	153,733
	$ 5,607,564
Fair value of net assets acquired:	
Right of use asset	4,395,037
Right of use liability	(4,395,037)
Intangible asset license	$ 5,607,564

Expressed in United States Dollars

9) Licenses (continued)

The license will be amortized over the remaining useful life of the Company's interest in the ROU assets of the property where the license is located.

WVapes acquisition

On July 17, 2020, the Company entered into an asset purchase agreement with West Coast Developments Nevada, LLC and W The Brand, LLC (together "**WCDN**") pursuant to which the Company acquired cannabis inventory, equipment and tenant improvements located in Las Vegas, Nevada. The acquisition was accounted for as an asset purchase acquisition as WCDN assets acquired was deemed to not be a business under IFRS 3.

The following table summarizes the allocation of consideration exchanged to the estimated fair value of tangible and intangible assets acquired:

Consideration paid:		
Cash	$	1,656,667
Issuance of 1,374,833 common shares (Note 14)		2,918,277
Transaction costs		50,000
	$	4,624,944
Fair value of assets acquired:		
Inventory	$	1,306,280
Biological assets		326,592
Fixed assets		2,282,274
Intangible asset license		709,798
	$	4,624,944

The Company acquired two cultivation licenses (one medical and one recreational), two production licenses (one medical and one recreational) and one conditional distribution license. The transaction was scheduled to close in two parts, the first closing being cash transferred for the equipment and cannabis inventory which occurred on July 17, 2020, and the second closing (the "**Second Closing**") being contingent on the approval to transfer the license and receipt of the cultivation and production licenses from the State of Nevada's Cannabis Control Board ("**CCB**"). On August 25, 2020, the CCB conditionally approved the transfer of the cultivation and production licenses to MMDC, and on September 3, 2020 the Company received the cultivation and production licenses pursuant to a letter from the CCB.

By way of an October 10, 2020 letter from the CCB, the Company received a conditional distribution license from WCDN.

On September 11, 2020, the Company mutually agreed with WCDN that the receipt by the Company of a business license issued by unincorporated Clark County which would permit the Company to conduct business in Clark County (the "Clark County Business License") was a necessary condition precedent to the Second Closing. As a result, the Second Closing occurred, and the 1,374,833 common shares in the Capital of the Company were released from escrow to WCDN, on November 27, 2020 upon receipt by the Company of the Clark County Business License.

Concurrent with the first closing of the WCDN assets acquired, RX Land, LLC ("RX Land"), an entity owned by the Corporation's co-CEOs, acquired the WCDN facility for US$3.3 million and entered into a lease agreement with WCDN in respect of such facility (the "Initial West Bell Lease"). In accordance with the terms of the WCDN asset

Expressed in United States Dollars

9) Licenses (continued)

acquisition and approvals by the independent directors of Planet 13, WCDN assigned the Initial West Bell Lease to MMDC on November 25, 2020, and MMDC subsequently entered into an amending agreement with RX Land on November 27, 2020, to amend certain terms of such lease agreement including increasing the lease payments, extending the duration of the lease and, if desired, allowing for second floor installation by MMDC without a corresponding lease rate increase due to an increase in facility size. The entering into by MMDC of the assignment agreement and the amending agreement with RX Land constitutes a "related party transaction".

Medizin license acquisition

On July 31, 2020, the Nevada Tax Commission approved a settlement agreement between the Nevada Tax Commission, the Corporation and other plaintiffs, and intervening defendants (the "Nevada License Settlement") in connection with a lawsuit filed by the Company and other defendants after the defendants were notified in December 2018 that no licenses had been awarded to any of the defendants as part of a competitive application process that the Company and the other defendants had participated in for Nevada cannabis dispensary licenses in September 2018.

On August 7, 2020, the CCB convened and approved the Nevada License Settlement.

On September 3, 2020, the CCB transferred the conditional Clark County dispensary license to MMDC.

On November 20, 2020, the Corporation opened the Medizin store location, having received CCB final inspection approvals and a Clark County business license. The Company has capitalized $690,000 in costs incurred to secure the license under the Nevada License Settlement.

10) 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	11,457,392	-	11,457,392
Balance at December 31, 2020	$ 21,422,781	$ 148,736	$21,571,517
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	734,931	51,473	786,404
Balance at December 31, 2020	$ 1,318,850	$ 102,946	$ 1,421,796
Net book value			
At December 31, 2019	$ 9,381,470	$ 97,263	$ 9,478,733
At December 31, 2020	$ 20,103,931	$ 45,790	$20,149,721

For the year ended December 31, 2020, depreciation expense was $786,404 (2019 - $635,392) of which $271,432 (2019 - $66,434) was included in cost of goods sold.

Expressed in United States Dollars

11) Prepaid expenses and other current assets

	December 31, 2020	December 31, 2019
Advertising and marketing	$ 55,126	$ 63,808
Security deposits	1,031,255	2,210,249
Funds awaiting settlement	1,263	481,214
Merchandise	-	3,268
Taxes receivable	37,163	81,948
Accounts receivable	436,874	214,964
Prepaid rent	205,177	-
D&O Insurance	153,076	138,400
Other insurance	397,870	218,131
Licenses	34,157	121,752
Miscellaneous	285,586	160,538
Total	**$ 2,637,547**	**$ 3,694,272**

12) Notes Payable

Notes payable consist of the following:

Non-related parties

	December 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 December 31, 2020 of $884,000 (2019: $884,000) is collateralized by a deed of trust on the related land.

Expressed in United States Dollars

13) 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.

	December 31, 2020	December 31, 2019
Opening balance	$ 10,522,377	$ -
Adoption of IFRS 16	-	8,494,971
Additions	9,174,693	2,024,768
Lease modifications	2,283,095	6,718
Interest Accretion	389,408	262,075
Principal payments	(167,367)	(142,284)
Prepaid rent	123,871	(123,871)
Ending balance	$ 22,326,077	$ 10,522,377
Less: current portion	-	-
Long-term lease liabilities	$ 22,326,077	$ 10,522,377

The following table summarizes undiscounted future lease payments:

	December 31, 2020	December 31, 2019
2021	$ 3,237,879	$ 1,362,139
2022	3,363,263	1,414,887
2023	3,493,363	1,469,619
2024	3,626,543	1,525,646
2025	3,704,263	1,558,342
Thereafter	49,857,920	27,009,732
Total undiscounted future lease payments	$ 67,283,231	$ 34,340,365
Effect of discounting	(44,957,154)	(23,817,988)
Present value of minimum lease payments	$ 22,326,077	$ 10,522,377

Expressed in United States Dollars

13) Lease liabilities (continued)

The following table summarizes lease-related cash flows for the year ended December 31, 2020:

	December 31, 2020	December 31, 2019
Principal and interest repayment	$ 2,337,006	$ 1,251,408
Interest and accretion	2,559,047	1,367,759
Non-lease components	324,988	232,471
Short-term leases	17,154	6,080
Total cash outflows	$ 5,238,195	$ 2,857,718

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.

14) Share Capital

a) Authorized

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

	Number of Shares	
	2020	**2019**
Common shares		
Balance at January 1	82,427,619	73,324,460
Shares issued on exercise of RSUs	2,685,344	3,954,518
Shares issued on exercise of options	333,001	258,994
Shares issued on exercise of warrants	17,532,271	4,889,647
Shares issued on financings	18,279,250	-
Shares issued on conversion of Class A shares	3,940,932	-
Shares issued on acquisition (Note 9)	1,374,833	-
Total Common shares outstanding December 31, 2020 and 2019	126,573,250	82,427,619
Class A shares		
Balance at January 1	55,232,940	55,232,940
Shares issued on acquisition (Note 9)	3,940,932	-
Conversion of Class A to Common	(3,940,932)	-
Total Class A Shares outstanding December 31, 2020 and 2019	55,232,940	55,232,940
Balance December 31, 2020 and 2019	181,806,190	137,660,559

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

14) Share Capital (continued)

(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.

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.

During the year ended December 31, 2020

Shares issued for Stock Options and Restricted Share Units

During the year ended December 31, 2020, the Company issued 2,685,344 common shares on the exercise of RSUs that had vested during the period. The Company did not receive any cash proceeds on the exercise and transferred $3,313,152 to share capital from the carrying value ascribed to the RSUs that were exercised.

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

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

On July 3, 2020, the Company issued 8,333 common shares on the exercise of options that had a strike price of CAD$0.75 resulting in cash proceeds to the Company of $4,617 (CAD$6,249).

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

On October 9, 2020, the Company issued 50,000 common shares on the exercise of options that had a strike price of CAD$0.80 resulting in cash proceeds to the Company of $30,786 (CAD$40,000).

On October 14, 2020, the Company issued 50,000 common shares on the exercise of options that had a strike price of CAD$0.80 resulting in cash proceeds to the Company of $30,786 (CAD$40,000).

Shares issued on the exercise of Warrants
During the year ended December 31, 2020, the Company issued 17,532,271 common shares to warrant holders who exercised 17,532,271 warrants resulting in cash proceeds of $32,653,449 (CAD$43,079,021).

Shares issued for Acquisitions
On May 20, 2020, the Company issued 3,940,932 Class A restricted shares on the acquisition of Newtonian Principles Inc. (Note 9). The shares were valued at $4,453,831 (CAD$6,187,263, CAD$1.57 per share based on the closing price of the Company's shares.)

On July 17, 2020, the Company issued 1,374,833 common shares on the acquisition of WCDN. The shares were valued at $2,918,277 (CAD$3,959,519, CAD$2.88 per share based on the closing price of the Company's common shares on July 17, 2020) (Note 9).

Shares issued on Financings

On July 3, 2020, the Company completed a bought deal financing for aggregate gross proceeds of $8,493,808 (CAD$11,521,850) at a price of CAD$2.15 per unit. The Company issued 5,359,000 units of the Company. Each unit was comprised of one common share in the capital of the Company and one-half of one Common Share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of CAD$2.85 per common share for a period of 24 months. The Company also issued 321,540 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$2.15 per common share. The broker warrants were measured based on the fair market value of the warrants using a Black Scholes valuation model

14) Share Capital (continued)

as the fair market value of the services received cannot be reliably measured. The Company incurred $825,359 in cash share issuance costs and allocated the net proceeds as follows: $6,293,482 to the common shares that were issued, $1,152,568 to the warrants that were issued and $222,399 to the broker warrants that were issued for total net proceeds of $7,668,449.

On September 10, 2020, the Company completed a bought deal financing for aggregate gross proceeds of $17,489,401 (CAD$23,019,550) at a price of CAD$3.70 per unit. The Company issued 6,221,500 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$5.00 per common share for a period of 24 months. The Company also issued 373,290 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$3.70 per common share. The broker warrants were measured based on the fair market value of the warrants using a Black Scholes valuation model as the fair market value of the services received cannot be reliably measured. The Company incurred $1,291,216 in cash share issuance costs and allocated the net proceeds as follows: $12,645,312 to the common shares that were issued, $2,967,057 to the warrants that were issued and $585,816 to the broker warrants that were issued for total net proceeds of $16,198,185.

On November 5, 2020, the Company completed a bought deal financing for aggregate gross proceeds of $22,141,920 (CAD$28,804,625) at a price of CAD$4.30 per unit. The Company issued 6,698,750 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$5.80 per common share for a period of 24 months. The Company also issued 401,925 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$4.30 per common share. The broker warrants were measured based on the fair market value of the warrants using a Black Scholes valuation model as the fair market value of the services received cannot be reliably measured. The Company incurred $1,544,014 in cash share issuance costs and allocated the net proceeds as follows: $16,126,056 to the common shares that were issued, $3,741,328 to the warrants that were issued and $730,522 to the broker warrants that were issued for total net proceeds of $20,597,906.

<u>During the year ended December 31, 2019</u>

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

On March 20, 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 of $9,024 (CAD$12,002). The share price on March 20, 2019 was CAD$1.80.

On July 9, 2019, the Company issued 205,660 common shares on the exercise of options that had a strike price of CAD$0.80 per common share resulting in cash proceeds of $124,512 (CAD$164,528). The Company issued 5,000 common shares on the exercise of options that had a strike price of CAD$0.75 per common share resulting in cash proceeds of $2,838 (CAD$3,750). The Company also issued 33,332 common shares on the exercise of options with a strike price of CAD$1.55 resulting in cash proceeds of $39,100 (CAD$51,665). The share price on July 9, 2019 was CAD$2.50.

During the year ended December 31, 2019, the Company issued 2,031,732 common shares on the exercise of Restricted Share Units that had vested during the year. The Company did not receive any cash proceeds on the exercise and transferred $3,245,017 to share capital from the carrying value ascribed to the RSUs that were exercised.

During the year ended December 31, 2019, the Company issued 4,889,647 common shares to warrant holders who exercised 4,889,647 warrants resulting in cash proceeds of $4,854,711 (CAD$6,480,875).

Expressed in United States Dollars

14) Share Capital (continued)

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.

<u>During the year ended December 31, 2020</u>

No incentive stock options were granted during the period.

<u>During the year ended December 31, 2019</u>

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 5 years from the grant date.

On June 30, 2019, the Company granted 22,500 incentive stock options to employees of the Company. These options are exercisable at a price of CAD$2.60 per common share for a period of 5 years from the grant date.

On July 4, 2019, the Company granted 100,000 incentive stock options to consultants of the Company. The options are exercisable at a price of CAD$2.65 per common share for a period of 3 years from the grant date.

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

Expiry date	Exercise Price CAD$	December-31 2020 Outstanding	December-31 2020 Exercisable	December 31, 2019 Outstanding	December 31, 2019 Exercisable
June 11, 2021	$0.80	-	-	175,000	175,000
June 11, 2023	$0.80	158,004	158,004	282,674	139,332
July 31, 2023	$0.75	11,667	11,667	20,000	11,667
January 7, 2024	$1.55	16,667	-	66,668	33,334
June 30, 2024	$2.60	7,500	-	22,500	7,500
July 4, 2022	$2.65	100,000	100,000	100,000	50,000
		293,838	**269,671**	**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 fair value ascribed to the options issued was $*nil* (2019: $625,947) and is being recognized as non-cash compensation expense over the vesting period of the options. The following assumptions were used to arrive at the value ascribed to the options issued using a Black Scholes Option Pricing model:

Assumption	January 7, 2019	June 30, 2019	July 4, 2019
Closing share price in CAD$ the day prior to granting	**$1.55**	**$2.60**	**$2.65**
Risk-free rate	**1.87%**	**1.40%**	**1.62%**
Expected dividend yield	**0.00%**	**0.00%**	**0.00%**
Expected volatility	**110.41%**	**98.86%**	**98.29%**
Option life in years	**5.00**	**5.00**	**3.00**

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

Share based compensation expense attributable to employee options was $56,550 for the year ended December 31, 2020, (2019: $258,620).

Expressed in United States Dollars

14) Share Capital (continued)

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

Stock option activity	December 31, 2020	Weighted Average CAD$ Exercise price	December 31, 2019	Weighted Average CAD$ Exercise price
Balance – beginning of year	666,842	$1.22	790,002	$0.80
Granted	-	-	222,500	$2.15
Exercised	(333,001)	$0.87	(258,994)	$0.88
Expired	(40,003)	$1.79	-	-
Forfeited	-	-	(86,666)	$0.80
Balance – end of period	293,838	$1.52	666,842	$1.22

	December 31, 2020	December 31, 2019
The outstanding options have a weighted-average CAD$ exercise price of:	$1.52	$1.22
The weighted average remaining life in years of the outstanding options is:	2.19	2.88

c) Warrants

The following table summarizes warrants outstanding at December 31, 2020 and 2019:

Date of Issuance	Date of Expiry	CAD$ Exercise Price	December 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	-	**9,680,838**
December 4, 2018	December 4, 2020	$3.00	-	**524,115**
December 4, 2018	December 4, 2021	$3.75	**1,101,211**	**4,792,525**
July 3, 2020	July 3, 2022	$2.85	**591,488**	-
July 3, 2020	July 3, 2022	$2.15	-	-
September 10, 2020	September 10, 2022	$5.00	**2,065,400**	-
September 10, 2020	September 10, 2022	$3.70	-	-
November 5, 2020	November 5, 2022	$5.80	**3,249,275**	-
November 5, 2020	November 5, 2022	$4.30	**150,963**	
			7,158,337	**15,061,078**

	December 31, 2020	December 31, 2019
The outstanding warrants have a weighted-average CAD$ exercise price of:	$4.98	$2.20
The weighted average remaining life in years of the outstanding warrants is:	1.63	0.93

Expressed in United States Dollars

14) Share Capital (continued)

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

Warrant activity	December 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
Issued	10,236,380	$4.53	-	-
Exercised	(17,532,271)	$2.46	(4,889,647)	$1.33
Expired	(606,850)	$1.40	-	-
Balance – end of the year	**7,158,337**	**$4.98**	**15,061,078**	**$2.20**

The Company received cash proceeds of $32,653,449 (CAD$43,079,021) from the exercise of warrants during the year ended December 31, 2020. The Company reduced the carrying value of warrants by $8,388,728 that was associated with the warrants that were exercised and reallocated this amount to common share capital.

The Company received cash proceeds of $4,854,711 (CAD$6,480,875) from the exercise of warrants during the year ended December 31, 2019. The Company reduced the carrying value of warrants by $1,085,752 that was associated with the warrants that were exercised and reallocated this amount to common share capital.

The following assumptions were used to arrive at the value ascribed to the Warrants issued using a Black Scholes Option Pricing model:

Assumption	November 5, 2020	November 5, 2020	September 10, 2020	September 10, 2020	July 3, 2020	July 3, 2020
Share price - CAD$	$4.89	$4.89	$4.13	$4.13	$2.04	$2.04
Strike price	$5.80	$4.30	$5.00	$3.70	$2.85	$2.15
Risk-free rate	0.25%	0.25%	0.26%	0.26%	0.29%	0.29%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expected volatility	84.20%	84.20%	88.70%	88.70%	89.30%	89.30%
Warrant life in years	2.00	2.00	2.00	2.00	2.00	2.00
Acceleration Threshold	None	None	None	None	None	None

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.

<u>During the year ended December 31, 2020</u>

On January 1, 2020, the Company issued 50,000 RSUs 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.

On June 30, 2020, 6,666 RSUs that were previously granted on June 11, 2018 were cancelled as a result of an employee resignation.

On July 3, 2020, the Company issued 50,518 RSUs under the RSU plan. The value ascribed to the RSUs issued was CAD$2.04 per share, the closing share price of the Company's common shares on July 3, 2020.

<u>During the year ended December 31, 2019</u>

On June 24, 2019, 82,362 RSUs that were previously granted on June 11, 2018 were cancelled as a result of a Director not standing for re-election.

On June 30, 2019 the Company issued 3,259,624 RSUs under the RSU plan. The value ascribed to the RSUs issued was CAD$2.60 per share, the closing share price of the Company's common shares on June 28, 2019. 136,278 of the RSUs

Expressed in United States Dollars

14) Share Capital (continued)

vested immediately and the balance of the RSUs vest 1/3 on January 1, 2020, 1/3 on January 1, 2021 and 1/3 on January 1, 2022.

On August 29, 2019, 82,362 RSUs that were previously granted on June 11, 2018 were cancelled and 152,331 RSUs that were previously granted on June 30, 2019 were cancelled as a result of a Director resignation.

The Company issued 2,685,345 common shares on the exercise of 2,685,345 RSUs during the year ended December 31, 2020 (3,954,518 common shares on the exercise of 3,954,518 RSUs for the year ended December 31, 2019).

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

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

The Company recognized $2,456,018 in share-based compensation expense attributable to RSUs vesting during the year ended December 31, 2020 ($4,564,167 for the year ended December 31, 2019).

15) General and Administrative Expenses

	For the year ended December 30,	
	2020	2019
Salaries and wages	$ 9,611,047	$ 6,941,111
Executive compensation	1,204,925	874,598
Licenses and permits	1,957,183	1,704,755
Payroll taxes and benefits	1,971,215	1,531,261
Supplies and office expenses	960,456	1,184,401
Subcontractors	1,569,921	1,272,414
Professional fees (legal, audit and other)	2,944,706	2,723,555
Miscellaneous general and administrative expenses	4,447,719	4,037,744
	$ 24,667,172	$ 20,269,839

Expressed in United States Dollars

16) Loss per share

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

The weighted average number of fully dilutive common shares outstanding is derived by adding the effect of all dilutive securities (using the treasury method) to the weighted average number of common shares outstanding. As at December 31, 2020 and December 31, 2019 the Company was in a loss position, such that the exercise of options and warrants and the issuance of RSUs would have been anti-dilutive. As such, the diluted loss per share calculation excludes and potential conversion of options, warrants and RSUs that would decrease the loss per share.

	Year ended	
	December 31, 2020	December 31, 2019
Basic weighted average shares outstanding		
Common shares	96,592,499	78,841,536
Restricted voting shares	55,232,940	55,232,940
Total Basic weighted average shares outstanding	**151,825,439**	**134,074,476**
Effect of dilutive securities		
Options	-	-
Warrants	-	-
RSUs	-	-
Diluted weighted average shares outstanding	**151,825,439**	**134,074,476**
Net loss for the year	**$ (7,941,525)**	**$ (6,658,333)**
Basic loss per share	$ (0.05)	$ (0.05)
Fully diluted loss per share	$ (0.05)	$ (0.05)

17) Commitments and Contingencies

(a) Construction Commitments

On December 31, 2020 the Company had construction commitments outstanding of $*nil* (2019 – $4,516,513) related to the Phase II build-out of the Company's Planet 13 cannabis entertainment complex. On December 14, 2020 the Company entered into a Guaranteed Maximum Price Construction Agreement for the phase I build out of its planned Planet 13 Orange County cannabis entertainment complex in Santa Ana California. The construction commitment as at December 31, 2020 was $7,084,300 (December 31, 2019 - $*nil*).

(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 at December 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 December 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

Expressed in United States Dollars

17) Commitments and Contingencies (continued)

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

(d) Operating Licenses

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

18) Related party transactions

Related party transactions are summarized as follows:

a) Building Lease

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 year ended December 31, 2020 and 2019 equaled $24,040 and $24,040 respectively, for rent and amounts paid for printed marketing collateral and stationery items equaled $170,009 and $279,457 respectively.

The Company leases a cultivation facility from an entity owned by the Company's co-CEOs. Rents paid for this facility for the year ended December 31, 2020 equaled $339,688, respectively (2019 – *nil*).

(b) Officer Compensation

The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company's executive management team and board of directors. The following table summarizes amounts paid to related parties as compensation for the year ended December 31, 2020 and 2019:

	Year Ended December 31,	Remuneration or fees (1)	Share based payments (1)	Included in accounts payable (1)
Management compensation	**2020**	**$ 1,796,223**	**$ 1,803,894**	**$ 29,202**
	2019	1,526,638	3,259,729	-
Director compensation	**2020**	**$ -**	**$ 282,687**	**$ -**
	2019	-	407,598	-

(c) Other

A company owned by one of the Company's executives pays the Company for storage space. Amounts paid to the Company for storage space equaled $62,720 for the year ended December 31, 2020, respectively (2019 – *nil*).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Expressed in United States Dollars

19) Income Taxes

Income tax provision

	2020	2019
Tax expense applicable to:		
Current	$7,158,500	$7,292,188
Deferred	(66,243)	(91,191)
Income tax provision (recovery)	**$7,092,257**	**$7,200,997**

Deferred tax assets and liabilities have been offset where they relate to income taxes levied the same taxation authority and the Company ahs the legal right and intent to offset.

Movement in net deferred tax liabilities:

	2020	2019
Balance at beginning of year	$379,665	$470,856
Recognized in profit/loss	(66,243)	(91,191)
Balance at the end of the year	**$313,422**	**$379,665**

The Company's deferred tax assets and liabilities are as follows:

Deferred Income Taxes Asset (Liability):

	2020	2019
Net operating losses	$-	$2,805
Biological assets	(313,422)	(382,470)
	($313,422)	**($379,665)**

Reconciliation to statutory tax rate:

	2020	2019
Income (loss) before income taxes	($849,268)	$542,664
Tax expense at statutory rate:	21.00%	21.00%
Expected income tax expense (recovery) at statutory rates	($178,346)	$113,959
Difference in foreign tax rates	(316,000)	(433,784)
Share based compensation and non-deductible expenses	4,766,847	1,752,713
Share issuance costs recorded through equity	(958,571)	-
Change in tax benefits not recognized	3,778,327	5,768,109
Income tax provision (recovery)	**$7,092,257**	**$7,200,997**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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19) Income Taxes (continued)

Temporary Differences and non-capital losses not recognized:

	2020	2019
Share issue costs	$3,187,617	$-
Non-capital losses	9,040,940	4,823,360
Net operating losses	32,358,930	23,599,968
	$44,587,487	**$28,423,328**

Unrecognized deferred tax assets

Deferred tax assets as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

Share issuance costs – 20(1)(e) – Canada

Non-capital losses carried forward – Canada

Net operating loss caried forward – United States

Share issue and financing costs will be fully amortized in 2024

The Company's non-capital income tax losses expire as follows:

	Canada CAD	Canada USD	USA USD
2038	$1,980,762	$1,554,304	$-
2039	4,146,425	3,253,700	-
2040	5,394,337	4,232,936	-
Indefinite	-	-	32,358,930
Total Non-Capital losses in CAD$	**$ 11,521,524**	**$-**	**$-**
Total Non-Capital losses and net operating losses in USD$		**$ 9,040,940**	**$ 32,358,930**

All of the federal net operating losses may be subject to change of ownership limitations provided by the Internal Revenue Code. An annual loss limitation may result in the expiration or reduced utilization of the net operating losses.

20) 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 and dispensary operations in both the state of Nevada and the state of California .

b) Geographic segments

As at December 31, 2020, all the Company's non-current assets were located in the United States and 100% of the Company's revenue was generated in the United States.

21) Capital Management

The Company's capital structure consists of all components of shareholders' equity, equipment finance leases and notes payable. The Company's objective when managing capital is to maintain adequate levels of funding to support the day-today business activities of its cannabis operations in Nevada as well as to fund strategic initiatives, including the continued buildout of the Superstore Cannabis Entertainment Complex and Planet 13 Orange County (Santa Ana) 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 year. The Company is not subject to externally imposed capital requirements.

22) Subsequent Events

On January 8, 2021, the Company issued 852,154 common shares on the vesting of RSU that were outstanding. The Company did not receive any cash proceeds from the issuance.

On January 8, 2021, the Company issued 99,670 common shares on the exercise of options that were exercised by employees and consultants of the Company. The Company received cash proceeds of CAD$92,237 on the exercise.

On February 2, 2021, the Company completed a bought deal financing for aggregate gross proceeds of $53,852,980 (CAD$69,028,750). A total of 9,861,250 units of the Company were issued at a price of CAD$7.00 per unit. Each unit consists of one common share in the capital of the Company and one-half (1/2) of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of CAD$9.00 for a period of 24 months from the closing of the financing.

Between January 1, 2021 and April 4, 2021, the Company issued 2,934,250 common shares on the exercise of common share purchase warrants and realized cash proceeds of $10,805,562 (CAD$13,705,149)