



**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021, AND 2020**

Expressed in United States Dollars

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

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Planet 13 Holdings Inc.
Interim condensed consolidated balance sheet

(Unaudited, in United States dollars except per share amounts)

As at	Note	September 30, 2021	December 31, 2020
Assets			
Current			
Cash		\$ 73,694,308	\$ 79,000,850
Restricted cash	5	55,000,000	-
Accounts receivable, net		831,158	436,874
Income taxes receivable	13	168,251	-
Inventory	3	13,223,061	6,919,840
Prepaid expenses and other current assets	7	5,823,259	2,198,005
Total current assets		148,740,037	88,555,569
Property and equipment	4	42,506,758	32,073,925
Intangible assets	5	7,809,201	7,551,141
Right-of-use assets - operating	6	20,648,053	20,497,895
Right-of-use assets - finance	6	6,499	44,672
Long-term deposits and other assets		1,066,819	1,054,443
Deferred tax asset	13	3,654	-
Total asset		\$ 220,781,021	\$ 149,777,645
Liabilities			
Current			
Accounts payable		\$ 4,134,376	\$ 1,681,027
Accrued expenses	8	6,821,741	2,844,714
Income taxes payable	13	-	1,446,235
Notes payable - current portion	8	884,000	884,000
Operating lease liability - current portion	6	394,331	161,021
Finance lease liability - current portion	6	7,122	46,372
Total current liabilities		12,241,570	7,063,369
Operating lease liabilities	6	23,156,583	22,365,892
Warrant liability	10	9,910,509	13,204,211
Other long-term liabilities		28,000	28,000
Deferred tax liabilities	13	-	410,359
Total liabilities		45,336,662	43,071,831
Commitments and contingencies	17		
Shareholders' equity			
Common shares, no par value, unlimited Common Shares authorized, 196,463,519 issued and outstanding at September 31, 2021 and 181,806,190 at December 31, 2020	9	-	-
Class A Restricted shares, no par value, unlimited Class A Restricted share authorized, nil issued and outstanding at September 30, 2021 and 5,619,119 at December 31, 2020	9	-	-
Additional paid in capital		242,458,423	159,399,056
Deficit		(67,014,064)	(52,693,242)
Total shareholders' equity		175,444,359	106,705,814
Total liabilities and shareholders' equity		\$ 220,781,021	\$ 149,777,645

On behalf
of the Board:

Michael Harman
Director

Adrienne O'Neal
Director

See accompanying notes to the interim condensed consolidated financial statements

Planet 13 Holdings Inc.

Interim condensed consolidated statements of operations and comprehensive loss

(Unaudited, in United States dollars, except per share amounts)

	Note	Three months ended		Nine months ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Net revenues	19	\$ 32,952,254	\$ 22,797,338	\$ 89,612,050	\$ 50,351,336
Cost of goods sold		(15,235,120)	(10,244,725)	(39,827,876)	(23,853,435)
Gross profit		17,717,134	12,552,613	49,784,174	26,497,901
Expenses					
General and administrative	14	19,788,627	6,791,019	44,185,685	19,553,836
Sales and marketing		1,959,579	991,215	4,162,934	2,684,174
Lease expense	6	673,878	612,329	1,934,138	1,502,412
Depreciation and amortization	4 & 6	1,376,520	945,537	3,325,524	2,753,936
Total expenses		23,798,604	9,342,100	53,608,281	26,494,358
(Loss) income from operations		(6,081,470)	3,210,513	(3,824,107)	3,543
Other income (expense)					
Interest expense, net		(8,111)	(13,367)	(23,698)	(23,914)
Foreign exchange gain/(loss)		362,402	(169,684)	1,805,953	266,003
Transaction costs	10	-	(135,075)	(256,666)	(135,075)
Change in fair value of warrant liability	10	6,240,073	(3,959,128)	(2,728,386)	423,917
Other income		152,466	174,145	338,890	250,212
		6,746,830	(4,103,109)	(863,907)	781,143
Income (loss) before income taxes		665,360	(892,596)	(4,688,014)	784,686
Current income tax expense	13	(3,601,904)	(4,819,639)	(10,046,821)	(7,757,805)
Deferred income tax recoveries	13	203,273	65,621	414,013	175,833
Net loss and comprehensive loss for the period		\$ (2,732,461)	\$ (5,646,614)	\$ (14,320,822)	\$ (6,797,286)
Loss per share					
Basic and diluted loss per share	12	\$ (0.01)	\$ (0.03)	\$ (0.07)	\$ (0.05)
Weighted average number of common shares					
Basic and diluted	12	196,457,950	162,624,567	194,576,544	148,587,612

See accompanying notes to the interim condensed consolidated financial statements

Planet 13 Holdings Inc.

Interim condensed consolidated statements of changes in shareholders' (deficit) equity

(Unaudited, in United States dollars, except per share amounts)

	Note	Common share capital	Number of Class A restricted shares	Warrants	Additional Paid in Capital	Accumulated Deficit	Total Equity
Balance January 1, 2020		82,427,619	55,232,940	587,715	\$ 58,747,851	\$ (27,592,605)	\$ 31,155,246
Shares issued for acquisition	5,9	3,940,932	(3,940,932)	-	4,453,831	-	4,453,831
Shares issued for acquisition	5,9	1,374,833	3,940,932	-	2,918,277	-	2,918,277
Shares issued on settlement of RSUs	9,11	2,685,344	-	-	1,954,834	-	1,954,834
Shares issued on exercise of broker warrants	9	548,501	-	(548,501)	1,035,194	-	1,035,194
Shares issued on exercise of warrants	9,10	11,771,867	-	-	22,783,870	-	22,783,870
Shares issued on exercise of options	9,11	233,001	-	-	156,419	-	156,419
Issuance of share options	11	-	-	-	51,233	-	51,233
Shares issued on bought deal financings - net	9	11,580,500	-	694,830	22,799,200	-	22,799,200
Net (loss) for the period		-	-	-	-	(6,797,286)	(6,797,286)
Balance September 30, 2020		<u>114,562,597</u>	<u>55,232,940</u>	<u>734,044</u>	<u>\$ 114,900,709</u>	<u>\$ (34,389,891)</u>	<u>\$ 80,510,818</u>
Balance, January 1, 2021		126,573,250	55,232,940	150,963	\$ 159,399,056	\$ (52,601,334)	\$ 106,797,722
Shares issued on conversion	9	55,232,940	(55,232,940)	-	-	-	-
Shares issued on settlement of RSUs	9,11	915,803	-	-	12,208,463	-	12,208,463
Shares issued on exercise of broker warrants	9	446,801	-	(446,801)	2,163,065	-	2,163,065
Shares issued on exercise of other warrants	9,10	3,312,139	-	-	20,868,784	-	20,868,784
Shares issued on exercise of options	9,11	121,336	-	-	86,216	-	86,216
Share based compensation - options	11	-	-	-	3,104	-	3,104
Shares issued in private placements - net	9	9,861,250	-	591,676	47,729,735	-	47,729,735
Net (loss) for the period		-	-	-	-	(14,320,822)	(14,117,549)
Balance, September 30, 2021		<u>196,463,519</u>	<u>-</u>	<u>295,838</u>	<u>\$ 242,458,423</u>	<u>\$ (67,014,064)</u>	<u>\$ 175,444,359</u>

See accompanying notes to the interim condensed consolidated financial statements

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Planet 13 Holdings Inc.
Interim condensed consolidated statements of cash flows
(Unaudited, in United States dollars, except per share amounts)

	Note	Nine months ended	
		September 30, 2021	September 30,2020
Cash provided by (used in)			
Operating activities			
Net loss		\$ (14,320,822)	\$ (6,797,286)
Adjustments for items not involving cash			
Non-cash compensation expense	9 & 16	12,211,567	2,006,067
Non-cash lease expense		3,332,858	2,329,065
Depreciation and amortization	4 & 5	4,725,546	3,884,497
Deferred tax liability	13	(414,013)	(175,833)
Fair value change on warrant liability	10	2,728,386	(423,917)
Change in fair value of warrant liability	10	48,924	(555,118)
Transaction costs	9	256,666	135,074
Unrealized (gain) loss on foreign currency exchange		(35,558)	(145,000)
Net changes in non-cash working capital items	15	(6,290,402)	9,961,575
Repayment of lease liabilities	6	(2,469,078)	(1,463,920)
Total operating		(225,926)	8,755,204
Financing activities			
Proceeds from private placements	9	53,852,980	25,983,029
Proceeds from exercise of warrants and options	9	14,162,689	16,941,543
Financing issuance cost expense	9	(3,494,930)	(2,116,575)
Total financing		64,520,739	40,807,997
Investing activities			
Purchase of property, plant and equipment	4	(14,560,627)	(3,027,445)
Purchase of licenses	5	(258,060)	(2,760,020)
Proceeds on disposal of property and equipment	4	194,214	-
Total investing		(14,624,473)	(5,787,465)
Effect of foreign exchange on cash		23,118	170,412
Net change in cash during the period		49,693,458	43,946,148
Cash			
Beginning of period		79,000,850	12,814,712
End of period		\$ 128,694,308	\$ 56,760,860
Cash		\$ 73,694,308	\$ 56,760,860
Restricted cash and cash equivalents		55,000,000	-
Cash, restricted cash and cash equivalents		\$ 128,694,308	\$ 56,760,860

Supplemental cash-flow information (Note 15)

See accompanying notes to the interim condensed consolidated financial statements

Planet 13 Holdings Inc.

Notes to the interim condensed consolidated financial statements

(Unaudited, in United States dollars, except per share amounts)

1. Nature of operations

Planet 13 Holdings Inc. (formerly Carpincho Capital Corp.) ("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.

MM Development Company, Inc. ("MMDC") is a privately held corporation existing under the laws of the State of Nevada. MMDC, founded on March 20, 2014, is a vertically integrated cultivator and provider of cannabis and cannabis-infused products licensed under the laws of the State of Nevada, with two licenses for cultivation, two licenses for production, and two dispensary licenses (one medical license and one recreational license). On June 11, 2018 MMDC completed a reverse-takeover ("RTO") of Carpincho Capital Corp. Upon completion of the RTO, the shareholders of MMDC obtained control of the consolidated entity of P13. In accordance with ASC 805 Business Combinations ("ASC 805"), MMDC was identified as the accounting acquirer, and, accordingly, P13 is considered to be a continuation of MMDC, with the net assets of the Company at the date of the RTO deemed to have been acquired by MMDC (Note 4).

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 and two recreational). In addition, the Company holds one recreational dispensary license 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 595 Howe Street, 10th floor, Vancouver, BC V6C 2T5 and the head office address is 2548 West Desert Inn. Rd, Las Vegas, NV 89109.

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

The federal government currently is prohibited 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.

2. Basis of presentation and summary of significant accounting policies

These unaudited interim condensed consolidated financial statements reflect the accounts of the Company and have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in the audited annual consolidated financial statement prepared in accordance with U.S. GAAP have been omitted or condensed. The information included in the interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in this Form 10 for the year ended December 31, 2020 (the "Annual Financial Statements"). These financial statements reflect all adjustments (consisting of normal recurring adjustments), which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented. Interim results are not necessarily indicative of results for a full year.

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

Planet 13 Holdings Inc.**Notes to the interim condensed consolidated financial statements**

(Unaudited, in United States dollars, except per share amounts)

2. Basis of presentation and summary of significant accounting policies (continued)

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 interim condensed consolidated financial statements do not give effect to adjustments to assets or liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material. These interim condensed consolidated financial statements are presented in U.S. dollars, which is also the Company's and its subsidiaries' functional currency.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of the Company on January 25, 2022.

i. Basis of consolidation

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

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

Subsidiaries as at September 30, 2021	Jurisdiction of incorporation	Ownership interest 2021	Ownership interest 2020	Nature of business
MM Development Company, Inc. ("MMDC")	USA	100%	100%	Vertically integrated cannabis operations
BLC Management Company LLC. ("BLC")	USA	100%	100%	Management company
LBC CBD LLC. ("LBC")	USA	100%	100%	CBD retail sales and marketing
Newtonian Principles Inc.	USA	100%	-	Cannabis retail sales
MM Development MI, Inc.	USA	100%	100%	Holding company
MM Development CA, Inc.	USA	100%	100%	Holding company
MMDC Casa Holdings, Inc	USA	-	100%	Holding company
PLTHCA SA, Inc.	USA	-	100%	Holding company
Planet 13 Illinois, LLC	USA	49%	-	Holding company
Planet 13 Florida, LLC	USA	100%	-	Holding company
BLC NV Food, LLC	USA	100%	100%	Food retailing
By The Slice, LLC	USA	100%	-	Food retailing

ii. Functional currency

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

Canadian currency transactions are translated into USD at exchange rates in effect on the date of the transaction. Monetary assets and liabilities denominated in Canadian dollars 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.

Planet 13 Holdings Inc.

Notes to the interim condensed consolidated financial statements

(Unaudited, in United States dollars, except per share amounts)

2. Basis of presentation and summary of significant accounting policies (continued)

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 the interim condensed consolidated statement of operations and comprehensive loss.

iii. Use of estimates

The preparation of these consolidated financial statements and accompanying notes in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

iv. Restricted cash

Restricted cash includes cash held in escrow by third-party escrow agent.

3. Inventory

Finished goods inventory consists of dried cannabis, concentrates, edibles, and other products that are complete and available for sale (both internally generated inventory and third-party products purchased in the wholesale market). Work in process inventory consists of cannabis after harvest, in the processing stage. Packaging and miscellaneous consist of consumables for use in the transformation of biological assets and other inventory used in production of finished goods. The Company's inventories are comprised of:

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Raw materials	\$ 2,216,916	\$ 1,292,310
Packaging and miscellaneous	1,348,892	566,157
Work in progress	2,864,236	1,801,434
Finished goods	6,793,017	3,259,939
	<u>\$ 13,223,061</u>	<u>\$ 6,919,840</u>

Cost of inventory is recognized as an expense when sold and included in cost of goods sold. During the three and nine months ended September 30, 2021, the Company recognized \$15,235,120 and \$39,827,876 (September 30, 2020 - \$10,244,725 and \$23,853,435) of inventory expensed to cost of goods sold.

Planet 13 Holdings Inc.
Notes to the interim condensed consolidated financial statements
(Unaudited, in United States dollars, except per share amounts)

4. Property and equipment

	<u>Land and land Improvements</u>	<u>Buildings and structures</u>	<u>Equipment</u>	<u>Leasehold improvements</u>	<u>Construction in progress</u>	<u>Total</u>
Gross carrying amount						
Balance as at December 31, 2020	\$ 625,146	\$ 1,707,894	\$ 6,237,256	\$ 30,448,042	\$ 3,367,255	\$ 42,385,593
Additions	-	-	1,683,229	1,365,921	12,286,430	15,335,580
Transfers	-	-	1,810,355	12,047,542	(13,857,897)	-
Disposals	-	-	-	-	(190,759)	(190,759)
Balance as at September 30, 2021	<u>\$ 625,146</u>	<u>\$ 1,707,894</u>	<u>\$ 9,730,840</u>	<u>\$ 43,861,505</u>	<u>\$ 1,605,029</u>	<u>\$ 57,530,414</u>

Depreciation

Balance as at December 31, 2020	\$ 127,931	\$ 203,750	\$ 2,259,925	\$ 7,720,062	\$ -	\$ 10,311,668
Additions	38,396	32,023	1,014,950	3,640,177	-	4,725,546
Disposals	-	-	(1,197)	(12,361)	-	(13,558)
Balance as at September 30, 2021	<u>\$ 166,327</u>	<u>\$ 235,773</u>	<u>\$ 3,273,678</u>	<u>\$ 11,347,878</u>	<u>\$ -</u>	<u>\$ 15,023,656</u>

Carrying amount

December 31, 2020	\$ 497,215	\$ 1,504,144	\$ 3,977,331	\$ 22,727,980	\$ 3,367,255	\$ 32,073,925
September 30, 2021	<u>\$ 458,819</u>	<u>\$ 1,472,121</u>	<u>\$ 6,457,162</u>	<u>\$ 32,513,627</u>	<u>\$ 1,605,029</u>	<u>\$ 42,506,758</u>

As at September 30, 2021, costs related to the construction of facilities were capitalized as construction in progress and not depreciated. Depreciation will commence when construction is completed, and the facility is available for its intended use. Once construction is completed, the construction in progress balance is moved to the appropriate account and depreciation commences. The contractual construction commitment as of September 31, 2021 was \$6,610,568 (December 31, 2020 - \$7,084,300) (Note 17).

For the nine months ended September 30, 2021, depreciation expense was \$4,725,546 (2020 - \$3,886,973) of which \$1,378,124 (2020 - \$1,167,206) was included in cost of goods sold.

5. Intangible assets

	<u>Retail Dispensary Santa Ana</u>	<u>Retail Dispensary Clark County</u>	<u>Cultivation and Production Clark County</u>	<u>Florida Master License</u>	<u>Total</u>
Gross carrying amount					
Balance, December 31, 2020	\$ 6,151,343	\$ 690,000	\$ 709,798	\$ -	\$ 7,551,141
Additions	-	-	-	258,060	258,060
Balance, September 30, 2021	<u>\$ 6,151,343</u>	<u>\$ 690,000</u>	<u>\$ 709,798</u>	<u>\$ 258,060</u>	<u>\$ 7,809,201</u>

Planet 13 Holdings Inc.**Notes to the interim condensed consolidated financial statements**

(Unaudited, in United States dollars, except per share amounts)

5. Intangible assets (continued)Florida license acquisition and restricted cash

On September 28, 2021, the Florida Department of Health's Office of Medical Marijuana Use ("OMMU") approved the Company to acquire a license to operate as a Medical Marijuana Treatment Center issued by the Florida Department of Health from a subsidiary of Harvest Health & Recreation Inc. As of September 30, 2021, the Company deposited \$55,000,000 with an escrow agent per the terms of the license acquisition agreement. The acquisition closed with an effective date of October 1, 2021, and the Company released \$55,000,000 of restricted cash that was being held in escrow to the seller in exchange for receipt of the Medical Marijuana Treatment Center license (Note 20).

The Company capitalized costs associated with the pending license acquisition in the amount of \$258,060 that had been incurred up to that date

6. Leases

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

The following table provides the components of lease cost recognized in the interim condensed consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2021:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Operating lease costs	\$ 1,131,328	\$ 999,247	\$ 3,306,488	\$ 2,171,921
Finance lease cost:				
Amortization of lease liabilities	13,086	11,700	38,173	34,166
Interest on lease liabilities	608	2,488	3,295	8,731
Finance lease cost	13,694	14,188	41,468	42,897
Short term lease expense	4,289	1,520	12,866	4,560
Total lease costs	\$ 1,149,311	\$ 1,014,955	\$ 3,360,822	\$ 2,219,387

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

	Operating Lease	Finance Lease
Weighted average discount rate	15.00%	15.00%
Weighted average remaining lease term (in years)	16.21	0.14

Planet 13 Holdings Inc.

Notes to the interim condensed consolidated financial statements

(Unaudited, in United States dollars, except per share amounts)

6. Leases (continued)

The maturity of the contractual undiscounted lease liabilities as of September 30, 2021:

	Financing Lease	Operating Lease
2021	\$ 7,258	\$ 3,562,176
2022	-	3,695,766
2023	-	3,834,683
2024	-	3,953,471
2025	-	3,910,993
Thereafter	-	55,089,826
Total undiscounted lease liabilities	7,258	74,046,914
Interest on lease liabilities	136	50,496,000
Total present value of minimum lease payments	7,122	23,550,914
Lease liability - current portion	7,122	394,331
Lease liability	\$ -	\$ 23,156,583

Additional information on the right-of-use assets by class of assets is as follows:

	Finance lease	Operating lease
Gross carrying amount		
Balance, December 31, 2020	\$ 133,561	\$ 21,962,564
Additions	-	867,561
Balance, September 30, 2021	\$ 133,561	\$ 22,830,125
Depreciation		
Balance, December 31, 2020	\$ 88,889	\$ 1,464,669
Additions	38,173	717,403
Balance, September 30, 2021	\$ 127,062	\$ 2,182,072
Carrying amount December 31, 2020	\$ 44,672	\$ 20,497,895
Carrying amount September 30, 2021	\$ 6,499	\$ 20,648,053

For the three and nine months ended September 30, 2021, the Company incurred \$1,131,328 and \$3,306,448 of operating lease costs respectively (September 30, 2020 - \$999,247 and \$2,171,920), of which \$457,450 and \$1,372,350 (September 30, 2020 - \$386,918 and \$669,508) was capitalized to inventory or included within cost of goods sold.

7. Prepaid expenses and other current assets

	September 30, 2021	December 31, 2020
Security deposits	\$ 4,382,369	\$ 1,031,255
Funds awaiting settlement	-	1,263
HST receivable	49,144	103,445
Insurance	587,764	550,946
Prepaid rent and other	803,982	511,096
	\$ 5,823,259	\$ 2,198,005

Planet 13 Holdings Inc.

Notes to the interim condensed consolidated financial statements

(Unaudited, in United States dollars, except per share amounts)

8. Accrued expenses

	September 30, 2021	December 31, 2020
Payroll	\$ 2,776,842	\$ 368,032
Excise and other taxes	2,255,637	940,892
Loyalty program	651,432	230,638
Other	1,137,830	1,305,152
	\$ 6,821,741	\$ 2,844,714

9. Share capital

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

	Number of Common Shares	
	September 30, 2021	December 31, 2020
Common shares		
Balance at January 1	126,573,250	82,427,619
Shares issued on settlement of RSUs	i. 915,803	2,685,344
Shares issued on exercise of options	121,336	333,001
Shares issued on exercise of warrants	3,758,940	17,532,271
Shares issued on financing - July 2020	-	5,359,000
Shares issued on financing - September 2020	v. -	6,221,500
Shares issued on financing - November 2020	-	6,698,750
Shares issued on financing - February 2021	9,861,250	-
Shares issued on conversion of Class A shares (Note 5)	55,232,940	3,940,932
Shares issued on acquisition (Note 5)	-	1,374,833
Total common shares outstanding	196,463,519	126,573,250

i. Shares issued for Restricted Share Units

During the nine months ended September 30, 2021, the Company issued 915,803 common shares on the settlement of Restricted Share Units (“RSUs”) that had vested during the period. The Company did not receive any cash proceeds on the settlement and transferred \$1,898,979 to share capital from the carrying value ascribed to the RSUs that were settled.

During the year ended December 31, 2020, the Company issued 2,685,344 common shares on the settlement of Restricted Share Units (“RSUs”) that had vested during the period. The Company did not receive any cash proceeds on the settlement and transferred \$3,313,152 to share capital from the carrying value ascribed to the RSUs that were settled.

ii. Shares issued for Stock Options

During the nine months ended September 30, 2021, the Company issued 121,336 common shares on the exercise of options that had a strike price in the range of CAD\$0.75 to CAD\$1.55 per common share resulting in cash proceeds of \$86,216 (CAD\$108,987).

Planet 13 Holdings Inc.

Notes to the interim condensed consolidated financial statements

(Unaudited, in United States dollars, except per share amounts)

9. Share capital (continued)

During the year ended December 31, 2020, the Company issued 333,001 common shares on the exercise of options that had a strike price in the range of CAD\$0.75 to CAD\$1.55 per common share resulting in cash proceeds of \$217,990 (CAD\$290,983).

iii. Shares issued on the exercise of Warrants

During the nine months ended September 30, 2021, the Company issued 3,758,940 common shares to warrant holders who exercised 3,758,940 warrants resulting in cash proceeds of \$14,076,473 (CAD\$17,809,039).

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).

iv. Shares issued on Financing - July 2020

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 value of the warrants using a Black Scholes valuation model.

The Company incurred \$825,359 in cash share issuance costs and \$222,398 in broker warrant costs. The warrants are initially measured at fair value (Note 10) with residual proceeds being allocated to the common shares. Issuance costs have been allocated in the same proportion, with costs allocated to the warrant liability being expensed as incurred. The net proceeds were allocated as follows:

July 3, 2020 Financing	<u>Gross Proceeds</u>	<u>Issuance Costs</u>
Common Shares (APIC)	8,118,500	(1,001,461)
Warrant Liability (Note 10)	375,308	(46,296)
Total	<u>8,493,808</u>	<u>(1,047,757)</u>

v. Shares issued on Financing - September 2020

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 value of the warrants using a Black Scholes valuation model.

Planet 13 Holdings Inc.**Notes to the interim condensed consolidated financial statements**

(Unaudited, in United States dollars, except per share amounts)

9. Share capital (continued)

The Company incurred \$1,291,216 in cash share issuance costs and \$585,816 in broker warrant costs. The warrants are initially measured at fair value (Note 10) with residual proceeds being allocated to the common shares. Issuance costs have been allocated in the same proportion, with costs allocated to the warrant liability being expensed as incurred. The net proceeds were allocated as follows:

September 10, 2020 Financing	<u>Gross Proceeds</u>	<u>Issuance Costs</u>
Common Shares (APIC)	16,662,200	(1,788,253)
Warrant Liability (Note 10)	827,201	(88,779)
Total	<u>17,489,401</u>	<u>(1,877,032)</u>

vi. Shares issued on Financing - November 2020

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.

The Company incurred \$1,544,014 in cash share issuance costs and \$730,523 in broker warrant costs. The warrants are initially measured at fair value (Note 10) with residual proceeds being allocated to the common shares. Issuance costs have been allocated in the same proportion, with costs allocated to the warrant liability being expensed as incurred. The net proceeds were allocated as follows:

November 5, 2020 Financing	<u>Gross Proceeds</u>	<u>Issuance Costs</u>
Common Shares (APIC)	20,777,360	(2,134,362)
Warrant Liability (Note 10)	1,364,560	(140,175)
Total	<u>22,141,920</u>	<u>(2,274,537)</u>

vii. Shares issued on Financing - February 2021

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

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

Planet 13 Holdings Inc.**Notes to the interim condensed consolidated financial statements**

(Unaudited, in United States dollars, except per share amounts)

9. Share capital (continued)

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

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

viii. Shares issued on conversion of Class A Shares

On May 6, 2021, the Company issued 55,232,940 common shares on the conversion of 55,232,940 Class A shares. As of September 30, 2021, there were no longer any Class A shares outstanding.

Class A shares	Number of Class A Shares	
	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Balance at January 1	55,232,940	55,232,940
Shares issued on acquisition (Note 5)	-	3,940,932
Conversion of Class A to Common	(55,232,940)	(3,940,932)
Total Class A shares outstanding	<u>-</u>	<u>55,232,940</u>

The Class A restricted shares have equal ratable 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:

(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.

On May 6, 2021, the Company issued 55,232,940 common shares on the conversion of 55,232,940 Class A shares. As of September 30, 2021, there were no longer any Class A shares outstanding.

Planet 13 Holdings Inc.

Notes to the interim condensed consolidated financial statements

(Unaudited, in United States dollars, except per share amounts)

10. Warrant liability

The following table summarizes the fair value of the warrant liability for the periods presented:

	September 30, 2021	December 31, 2020
Opening balance as at January 1	\$ 13,204,211	\$ 9,823,510
Additions	2,884,981	2,567,069
Exercise	(8,955,993)	(15,698,859)
Foreign exchange	48,925	(293,450)
Change in fair value	2,728,386	16,805,941
Closing balance end of period	<u>\$ 9,910,510</u>	<u>\$ 13,204,211</u>

Warrants that are not issued in exchange for goods or services and do not meet the criteria to be classified as equity are classified as liabilities. Because the warrants have an exercise price that is denominated in a currency other than the functional currency of the Company, they are classified as liabilities.

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

The following table summarizes the number of warrants outstanding for the periods presented:

	September 30, 2021	Weighted average exercise price - CAD	December 31, 2020	Weighted average exercise price - CAD
Balance - beginning of period	7,158,337	\$ 4.98	15,061,078	\$ 2.20
Issued	5,522,301	\$ 8.79	10,236,380	\$ 4.53
Exercised	(3,758,940)	\$ 4.74	(17,532,271)	\$ 2.46
Expired	(46,047)	\$ 3.75	(606,850)	\$ 1.40
Balance - end of period	<u>8,875,651</u>	<u>\$ 7.46</u>	<u>7,158,337</u>	<u>\$ 4.98</u>

The Company received cash proceeds of \$14,076,473 (CAD\$17,809,039) from the exercise of warrants for the nine-month period ended September 31, 2020 (December 31, 2020 - \$32,653,449 (CAD\$43,079,021)).

The following table present information about the Company's assets and liabilities that are measured at fair value on a recurring basis for the periods presented:

	Quoted prices in active markets for identical assets (Level 1)
September 30, 2021:	
Warrant liability	\$ (9,910,510)
December 31, 2020:	
Warrant liability	\$ (13,204,211)

11. Share based compensation

(a) Stock options

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

Planet 13 Holdings Inc.

Notes to the interim condensed consolidated financial statements

(Unaudited, in United States dollars, except per share amounts)

11. Share based compensation (continued)

During the nine months ended September 30, 2021

No incentive stock options were granted during the period.

During the year ended December 31, 2020

No incentive stock options were granted during the year.

The following table summarizes information about stock options outstanding at September 30, 2021:

Expiry date	Exercise price CAD\$	September 30, 2021 outstanding	(September 30, 2021 exercisable)
July 4, 2022	\$ 2.65	100,000	100,000
June 11, 2023	\$ 0.80	61,668	61,668
July 31, 2023	\$ 0.75	-	-
January 7, 2024	\$ 1.55	-	-
June 30, 2024	\$ 2.60	7,500	7,500
		169,168	169,168

The employee options vest one third on the grant date and one third on the first and second anniversary of the grant date. The following table reflects the continuity of stock options for the period presented:

	September 30, 2021	Weighted average CAD\$ exercise price
Balance - beginning of period	293,838	\$ 1.52
Granted	-	-
Exercised	(121,336)	0.91
Expired	(3,334)	0.80
Forfeited	-	-
Balance - end of period	169,168	\$ 1.97

The outstanding options have a weighted-average CAD\$ exercise price of \$ **1.97**

The weighted average remaining life in years of the outstanding options is: **1.19**

The company recorded \$3,104 of share-based compensation expense attributable to employee options for the nine months ended September 30, 2021 (\$51,233 for the nine months ended September 30, 2020).

Planet 13 Holdings Inc.

Notes to the interim condensed consolidated financial statements

(Unaudited, in United States dollars, except per share amounts)

11. Share based compensation (continued)

(b) Restricted Share Units

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

The following table summarizes the RSUs that are outstanding as at September 30, 2021:

RSU Activity	<u>September 30, 2021</u>
Balance - beginning of the period	1,764,250
Granted to Participants	4,086,178
Exercised	(915,801)
Cancelled	-
Balance - end of the period	<u>4,934,627</u>

The Company recorded \$12,208,463 in share-based compensation expense attributable to RSUs for the nine months ended September 30, 2021 (\$1,954,834 for the nine months ended September 30, 2020).

During the nine months ended September 30, 2021

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

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

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

In total the Company transferred \$1,898,979 to share capital from Restricted Share Units, representing the carrying value of the RSUs that were exercised during the period.

During the year ended December 31, 2020

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 September 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.

Planet 13 Holdings Inc.

Notes to the interim condensed consolidated financial statements

(Unaudited, in United States dollars, except per share amounts)

12. Loss per share

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Loss available to common shareholders	\$ (3,783,626)	\$ (5,646,614)	\$ (15,371,987)	\$ (6,797,286)
Weighted average number of shares, basic and diluted	196,457,950	162,624,567	194,576,544	148,587,612
Basic and diluted (loss) per share	\$ (0.02)	\$ (0.03)	\$ (0.08)	\$ (0.05)

Approximately 13,979,446 of potentially dilutive securities for the three and nine months ended September 30, 2021 and 10,817,031 of potentially dilutive securities for the three and nine months ended September 30, 2020 were excluded in the calculation of diluted EPS as their impact would have been anti-dilutive due to net loss in the period.

13. Income taxes

The components of income tax expense (benefit) of the Company are summarized as follows:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Current tax expense (recovery)				
Current period	\$ 3,601,094	\$ 4,819,639	\$ 10,046,821	\$ 7,757,805
Deferred tax expense (recovery)				
Origination and reversal of temporary differences	\$ (123,621)	\$ (79,388)	\$ (2,204,751)	\$ (240,716)
Change in unrecognized temporary differences	(79,652)	13,767	1,790,738	64,883
Income tax expense	\$ 3,397,821	\$ 4,754,018	\$ 9,632,808	\$ 7,581,972

The actual income tax provision differs from the expected amount calculated by applying the statutory income tax rate to the loss before tax. These differences result from the following:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Income/(loss) income before income tax	\$ 665,360	\$ (892,596)	\$ (4,688,014)	\$ 784,686
Statutory income tax rate	21.0%	21.0%	21.0%	21.0%
Income tax expense (benefit) at statutory rate	139,726	(187,445)	(984,483)	164,784
Increase (reduction) resulting from:				
Non-taxable items	3,454,566	4,803,575	10,333,697	6,321,993
Change in valuation allowance	(79,652)	471,967	1,790,739	1,391,126
Foreign exchange impacts	144,701	-	(226,066)	-
Difference in rates	(261,519)	(334,079)	(1,281,079)	(295,931)
Income tax expense	\$ 3,397,821	\$ 4,754,018	\$ 9,632,808	\$ 7,581,972

Planet 13 Holdings Inc.

Notes to the interim condensed consolidated financial statements

(Unaudited, in United States dollars, except per share amounts)

13. Income taxes (continued)

Section 280E prohibits businesses engaged in the trafficking of Schedule I or Schedule II controlled substances from deducting normal business expenses, such as payroll and rent, from gross income (revenue less cost of goods sold). Section 280E was originally intended to penalize criminal market operators, but because cannabis remains a Schedule I controlled substance for Federal purposes, the Internal Revenue Service (“IRS”) has subsequently applied Section 280E to state-legal cannabis businesses. Cannabis businesses operating in states that align their tax codes with the IRC are also unable to deduct normal business expenses from taxable income subject to state taxes. The non-taxable amounts shown in the effective rate reconciliation above include the impact of applying IRC Section 280E to the Company's businesses that are involved in selling cannabis, along with other typical non-deductible expenses. As the application and IRS interpretations on Section 280E continue to evolve, the impact of this cannot be reliably estimated.

Any changes to the application of Section 280E may have a material effect on the Company’s interim condensed consolidated financial statements.

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset. Deferred tax assets (liabilities) are attributable to the following:

	September 30, 2021	December 31, 2020
Deferred tax assets		
Loss carryforwards \$	8,584,506	\$ 5,303,168
Share issue costs	1,832,234	1,381,446
Exchange rate differences on monetary assets	8,108	563,080
Accrued expenses	129,516	49,128
Deferred tax assets	10,554,364	7,296,822
Valuation allowance	(8,561,453)	(5,912,173)
Set off of tax	(1,863,395)	(1,384,649)
Net deferred tax asset	129,516	-
Deferred tax liabilities		
Property and equipment	(1,445,478)	(1,251,229)
Licenses	(543,779)	(543,779)
Deferred tax liabilities	(1,989,257)	(1,795,008)
Set off of tax	1,863,395	1,384,649
Net deferred tax liability \$	(125,862)	\$ (410,359)

As at December 31, 2020, the Company has \$15,821,242 (December 31, 2020 - \$12,013,192) in Canadian non-capital loss carryforwards that expire between 2035 and 2041. In addition, as at December 31, 2020, the Company has U.S. federal Net Operating Losses of \$14,976,543 (December 31, 2020 - \$9,692,291). The U.S federal Net Operating Losses attributable to 2019 will expire in 2039 and the losses attributable to 2020 onward will have an indefinite carry forward. As at September 30, 2021, the Company has California state Net Operating Losses of \$5,916,883 (December 31, 2020 - \$953,517). The California state Net Operating will expire in 2040 and 2041.

In March 2020, the U.S. enacted the Coronavirus Aid, Relief, and Economic Security Act (the “Act”). The Act, among other provisions, reinstates the ability of corporations to carry net operating losses back to the five preceding tax years, has increased the excess interest limitation on modified taxable income from 30 percent to 50 percent. The Company has made a reasonable estimate of the effects on existing deferred tax balances and has concluded that the Act has not had a significant on the deferred tax balances.

Planet 13 Holdings Inc.

Notes to the interim condensed consolidated financial statements

(Unaudited, in United States dollars, except per share amounts)

13. Income taxes (continued)

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.

14. General and administrative

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2021	2020	2021	2020
Salaries and wages	\$ 6,134,539	\$ 2,420,126	\$ 14,481,158	\$ 6,546,241
Executive compensation	447,800	392,142	1,385,009	897,203
Licenses and permits	969,610	301,707	2,258,551	1,296,695
Payroll taxes and benefits	931,950	451,497	2,380,171	1,370,969
Supplies and office expenses	621,642	275,107	1,562,832	641,796
Subcontractors	953,356	444,175	2,166,299	1,056,499
Professional fees (legal, audit and other)	938,028	848,726	2,842,599	2,592,331
Miscellaneous general and administrative expenses	2,177,856	1,090,312	4,897,499	3,146,035
Share-based compensation expense (Note 11)	6,613,846	569,227	12,211,567	2,006,067
	<u>\$ 23,798,604</u>	<u>\$ 9,342,100</u>	<u>\$ 53,608,281</u>	<u>\$ 26,494,358</u>

15. Supplemental cash flow information

Change in working capital	Nine months ended	
	September 30, 2021	September 30, 2020
Accounts receivable, net	\$ (394,191)	\$ (47,316)
Inventory	(6,303,221)	(1,453,161)
Prepaid expenses and other assets	(3,620,412)	1,690,717
Long term deposits and other assets	(12,376)	(336,751)
Accounts payable	1,677,256	1,231,431
Accrued expenses	3,977,028	1,116,045
Income tax payable	(1,614,486)	7,760,610
	<u>\$ (6,290,402)</u>	<u>\$ 9,961,575</u>
Cash paid		
Income taxes	\$ 11,631,307	\$ -
Non-cash activities		
Settlement of warrants liability by issuing warrants	\$ 8,955,993	\$ 7,008,759
Acquisition of licenses and intangible assets in exchange for shares	\$ -	\$ 7,372,108
Initial recognition of ROU assets and lease liabilities	\$ 867,561	\$ 10,893,679

Planet 13 Holdings Inc.

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16. Related party transactions and balances

Related party transactions are summarized as follows:

(a) Officer Compensation

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

	<u>Nine Months ended September 30,</u>	<u>Remuneration or fees</u>	<u>Share based payments</u>	<u>Included in Accounts payable</u>
Management compensation	2021	\$ 1,945,223	\$ 9,875,693	\$ -
	2020	1,194,466	1,404,237	8,176
Director compensation	2021	\$ 150,000	\$ 1,227,580	\$ -
	2020	-	199,254	-

*Amounts disclosed were paid or accrued to the related party during the nine months ended September 30, 2021 and 2020

(b) Other

The Company sub-lets approximately 2,000 square feet of office space and purchases certain printed marketing collateral and stationery items from a company owned by one of the Company's Co-CEOs. Amounts paid to such company for rent for the nine months ended September 30, 2021, and 2020 equaled \$16,027 and \$18,030, respectively. Amounts paid for printed marketing collateral and stationery items equaled \$382,264 and \$215,069 respectively for the nine months ended September 30, 2021, and 2020. As at September 30, 2021, there was \$22,682 (2020-\$61,407) included in accounts payable that was owed to this related party.

A company owned by one of the Company's executives pays the Company for storage space. Amounts paid to the Company for storage space equaled \$122,447 for the nine months ended September 30, 2021 (2020 - nil).

Through to April 30, 2021, the Company leased a cultivation facility from an entity owned by the Company's co-CEOs. Rents paid for this facility for the nine months ended September 30, 2021, equaled \$301,894 (2020 - nil). On April 30, 2021, the Company's Co-CEOs sold this building to an arm's length third party who assumed the lease.

17. Commitments and contingencies

(a) Construction Commitments

At September 30, 2021, the Company had construction commitments outstanding of \$6,610,568 (December 31, 2020 - \$7,084,300), \$2,904,562 related to the build-out of the Company's Planet 13 Santa Ana cannabis entertainment complex and \$3,706,006 related to the build out of the Company's Planet 13 Las Vegas Superstore.

(a) Contingencies

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulations as at September 30, 2021, 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.

Planet 13 Holdings Inc.

Notes to the interim condensed consolidated financial statements

(Unaudited, in United States dollars, except per share amounts)

17. Commitments and contingencies (continued)

(c) Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At September 30, 2021, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

(d) Operating Licenses

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

(e) Employment Agreements

The Company has employment agreements in place with its Executive Management team and certain key employees. The annual salaries pursuant to such agreements range from \$100,000 to \$500,000.

18. Risks

Credit risk

Credit risk is the risk that a third party might fail to discharge its obligations under the terms of a financial instrument. Credit risk arises from cash with banks and financial institutions. It is management's opinion that the Company is not exposed to significant credit risk arising from these financial instruments. The Company limits credit risk by entering into business arrangements with high credit-quality counterparties.

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

Concentration risk

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

Banking Risk

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in US federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that US federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept 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.

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.

Planet 13 Holdings Inc.**Notes to the interim condensed consolidated financial statements**

(Unaudited, in United States dollars, except per share amounts)

18. Risks (continued)*Currency rate risk*

As at September 30, 2021, a portion of the Company's financial assets and liabilities held in Canadian dollars consist of cash and cash equivalents of \$1,621,021 (2020 - \$21,771,531). The Company's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties in the functional currency. The Company is exposed to currency rate risk in other comprehensive income, relating to foreign subsidiaries which operate in a foreign currency. The Company does not currently use foreign exchange contracts to hedge its exposure of its foreign currency cash flows as management has determined that this risk is not significant at this point in time.

19. Disaggregated revenues

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

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Retail	\$ 31,852,674	\$ 86,235,691	\$ 86,235,691	\$ 49,344,949
Wholesale	1,099,580	3,376,359	3,376,359	1,006,387
Net revenues	\$ 32,952,254	\$ 89,612,050	\$ 89,612,050	\$ 50,351,336

20. COVID-19

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 instore 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.

21. Subsequent events

On October 1, 2021, the Company completed the purchase of a license issued by the Florida Department of Health to operate as a Medical Marijuana treatment Center (the "License") in the state of Florida for \$55,000,000 in cash (Note 5).

Between October 1, 2021 and December 9, 2021, the Company issued 13,700 common shares on the exercise of common share purchase warrants and realized cash proceeds of \$30,885.

On December 9, 2021, the Company issued 2,212,974 common shares on the exercise of Restricted Share Units that had vested during the period.

On December 20, 2021, the Company entered into a definitive arrangement agreement with Next Green Wave Holdings Inc. pursuant to which the Company will acquire all of the issued and outstanding common shares of Next Green Wave Holdings Inc. by way of a court approved plan of arrangement, for total consideration of approximately CAD\$91 million. Under the terms of the definitive arrangement agreement, based on the pricing of both the Company's common shares and the Next Green Wave Holdings Inc. common shares as of December 17, 2021, shareholders of Next Green Wave Holdings Inc. will receive 0.1081 of a common share of the Company (subject to adjustments) and CAD\$0.0001 in cash, for each Next Green Wave Holdings Inc. common share held. The transaction will be effected by way of a plan of arrangement under the Business Corporations Act (British Columbia) and is subject to, among other things, approval of the Next Green Wave Inc. shareholders at a special meeting expected to be held in February 2022.