MANAGEMENT DISCUSSION AND ANALYSIS
OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2021

Expressed in United States Dollars

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This management's discussion and analysis ("**MD&A**") of the financial condition and results of operations of Planet 13 Holdings Inc. (the "**Company**" or "**Planet 13**") is for the three months ended March 31, 2021, and 2020. It is supplemental to, and should be read in conjunction with, our condensed interim consolidated financial statements for the three months ended March 31, 2021, and 2020 and the audited annual consolidated financial statements for the years ended December 31, 2020, 2019 and 2018 and the accompanying notes for each respective period. Our financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("**GAAP**"). Financial information presented in this MD&A is presented in United States dollars ("**$**" or "**US$**"), unless otherwise indicated.

Overview of the Company

Our predecessor, MMDC, was incorporated on March 20, 2014, as a Nevada limited liability company. On March 14, 2018, MMDC underwent a statutory conversion to a Nevada domestic corporation named MM Development Company, Inc. On June 11, 2018, MMDC then completed a reverse-take-over of Carpincho, and the resulting entity was renamed Planet 13 Holdings Inc.

We continued on June 26, 2019, under the jurisdiction and laws of British Columbia and hold 100% ownership in MMDC, a vertically integrated US subsidiary corporation active in the cultivation, production, distribution, and retail sale of both medical and recreational cannabis which at the date of this registration statement is restricted to the State of Nevada. For purposes of this registration statement, reference to the Company may also include MMDC as a wholly owned and controlled subsidiary of Company. We hold six cultivation licenses operating at three licensed cultivation facilities, each location operating jointly under a medical and adult-use cultivation license. One cultivation license is located in Clark County Nevada (Las Vegas) in an approximately 16,100 square foot facility with indoor cultivation and a perpetual harvest cycle. The second cultivation license is located near the town of Beatty in Nye County, Nevada. The facility currently houses approximately 500 square feet of research and development and genetics testing. The Beatty site has the potential for over 2,300,000 square feet of greenhouse production capacity on 80 acres of owned land with municipal water and abundant electrical power already at the edge of the property. The third cultivation license is located in Clark County Nevada (Las Vegas) in a 25,000 square foot facility with indoor cultivation and a perpetual harvest cycle in Las Vegas, Nevada. This facility is in the process of being expanded to 45,000 square feet.

We also have six production licenses operating at three licensed production facilities, each location operating jointly under a medical and adult-use cultivation license, four of which are located in Clark County. Two of the four were previously co-located within the 16,100 square foot cultivation facility and were approximately 2,300 square feet. These two licenses were relocated to the 18,500 square foot customer facing production facility that opened inside the Planet 13 Las Vegas Superstore cannabis entertainment complex in November 2019. This facility incorporates butane hash oil extraction (BHO extraction), distillation equipment and microwave assisted extraction equipment as well as a state-of-the-art bottling and infused beverage line and an edibles line able to produce infused chocolates, infused gummies and other edible products and was expanded to 18,500 square feet in September 2021. The second production facility is co-located at the Beatty facility and the third facility is co-located in the 25,000 square foot cultivation facility (currently undergoing an expansion to 45,000 square feet) but is not active at present.

We also have three dispensary licenses. Two licenses are operating at one licensed dispensary facility, one license is medical and the other is for adult-use retail sales. The licenses operate out of the same joint location and presently occupy approximately 24,000 square feet of retail space (expanded from 16,000 square feet in September 2021) located adjacent to the Las Vegas Strip where we opened, on November 1, 2018, the Planet 13 Las Vegas Superstore. Prior to November 1, 2018, the licenses operated out of a 2,300 square feet facility locatedapproximately six miles off the Las Vegas Strip (the "**Medizin Facility**"). The licenses were transferred to the Planet 13 Las Vegas Superstore location on October 31, 2018.

We were successful in our litigation (for additional discussion regarding this litigation refer to the heading *Medizin Re-opening*) and were awarded an additional Clark County recreational license and have transferred the license to our Medizin dispensary that was closed when the licenses were transferred to the Planet 13 Las Vegas Superstore. We reopened the Medizin dispensary on November 20, 2020. We have also been granted a distribution license and launched a distribution and delivery service in Nevada to augment our retail locations and be able to deliver product to both wholesale customers and local Nevada state residents throughout the State of Nevada.

We opened the second phase of the Planet 13 Las Vegas Superstore location with ancillary offerings that include a coffee shop, restaurant and event space in November 2019. The build out of a merchandise store and CBD store selling our Planet M branded CBD products inside the Planet 13 Las Vegas Superstore entertainment complex was completed in September 2021. The recent expansion of the Planet 13 Las Vegas Superstore dispensary floor space to 24,000 square added new entertainment features, a second entrance and an additional 40 point-of-sale terminals, all designed to reduce wait times for customers and improve on the already fantastic customer experience was completed in September 2021 We also plan to build a potential cannabis lounge in a segregated area of the facility where patrons will be able to consume products that have been purchased at the dispensary. The state and county have passed the necessary legislation that legalizes consumption lounges, and we are scheduled to obtain a license for such an activity and are waiting on final approval of local regulations prior to determining the final design of the planned lounge. The Planet 13 Las Vegas Superstore also houses our corporate offices. In addition, the production facility housed within the superstore complex, described above, has enabled us to expand our vertical integration and increase the amount of our own branded products that are sold in the Planet 13 Las Vegas Superstore as well as re-entering the wholesale market selling concentrates, edibles and infused beverages.

On July 17, 2020, we expanded our premium indoor cultivation capacity and added additional production and distribution capabilities with the purchase of the inventory, equipment and tenant improvements and cannabis cultivation, production and distribution licenses located in a 25,000 square foot facility with indoor cultivation and a perpetual harvest cycle in Las Vegas, Nevada, which is currently being expanded to 45,000 square feet (the "**WCDN Asset Acquisition**"). The WCDN Asset Acquisition has allowed us to expand our vertically integrated product offerings in Nevada.

The Santa Ana Acquisition occurred on May 20, 2020, whereby we acquired all the issued and outstanding common stock of Newtonian, resulting in our acquiring the California License and the Santa Ana Permit, which were both held by Newtonian, and a 30-year lease for the Santa Ana Premises along with the Warner Assets. Newtonian had no operations at the time of the Santa Ana Acquisition. On July 1, 2021, we opened the Planet 13 OC Superstore dispensary to the public. Upon application made, on September 25, 2020, our subsidiary Newtonian received a City of Santa Ana Regulatory Safety Permit Phase 1 for distribution at the Santa Ana Premise, and plans to open a distribution facility upon completion of construction and receipt of the Regulatory Safety Permit Phase 2 from the City of Santa Ana. The construction budget for the 33,000 square foot adult-use retail facility and distribution at the Santa Ana Premise was US$7.5 to $8.5 million. Although there have been minor delays due to temporary staffing shutdowns at the City of Santa Ana related primarily to COVID-19, and the City of Santa Ana not allowing in-person plan submissions, we managed to open the facility on time and within budget. Total buildout costs, including the costs associated with the buildout of our wholesale distribution license was $9.2 million.

The focus of activity during the year ended December 31, 2021, was to continue to grow and provide cannabis and cannabis related products to our medical cannabis and adult recreational customers as well as selling branded recreational and medical cannabis products and related cannabis products to our growing wholesale customer base in the State of Nevada. In addition, in the State of California, we were focused on the opening of the Planet 13 OC Superstore on July 1, 2021, and growing revenue from the sale of recreational cannabis through both the retail store and home delivery, and on continuing the integration and optimization of the WCDN Acquisition.

On March 19, 2020, we announced that we would continue to provide core dispensary services during the COVID-19 pandemic and encouraged all local Nevada resident customers to utilize our express pick-up and/or delivery services so as to limit personal interactions and practice social distancing as recommended by the Centre for Disease Control. On March 17, 2020, Nevada State Governor Steve Sisolak announced the closure of all non-essential business starting at noon on March 18, 2020, for 30 days as part of the State's response to curb the threat of the spread of the COVID-19 virus. This shutdown was extended until June 1, 2020. On April 30, 2020, all retail cannabis dispensaries in Nevada were allowed to offer online ordering with curbside pick-up in addition to delivery and on May 7, 2020, as part of the State of Nevada's COVID 19 reopening plan, all dispensaries were allowed to reopen to the general public at significantly reduced number of customers allowed in the facility at the same time. All dispensaries are allowed to have a maximum of 50% of the dispensary location's fire rated occupancy level. The shutdown due to COVID-19 during the months of April, May and June 2020 had a material impact on our business in Q2 2020 from the business closures and lack of tourist traffic in Las Vegas coupled with the reduction in allowed customer traffic during the shutdown period. The partial reopening of resorts, hotels and casinos resulted in increased tourist traffic to Las Vegas and an increase of customers to the Planet 13 Las Vegas Superstore in July to October 2020 and coincided with a return of in-store retail sales, with the store operating at 50% capacity under COVID-19 social distancing safety measure and protocols, coupled with continued online ordering with home delivery and curbside pick-up. This saw operations return to, and surpass, pre-COVID-19 revenue in the months of July to October 2020. The State of Nevada initiated renewed COVID-19 restrictions in November 2020, and, coupled with the lockdowns in California that drastically reduced the amount of tourist traffic to Las Vegas during November and December 2020, caused a significant reduction in tourist traffic to the Planet 13 Las Vegas Superstore during the final two months of 2020 and through to the end of February 2021. The easing of restrictions in Nevada and surrounding states in January 2021 and the move to further open the State of Nevada on February 15, 2021, resulted in an increase in tourist traffic to the Planet 13 Las Vegas Superstoreduring the first three months of 2021, with us reporting record revenues for the months of March and April 2021. On May 1, 2021, the State of Nevada allowed businesses to operate at 80% of their fire rated occupancy limits and on June 1, 2021, further eased its COVID-19 restrictions to allow all businesses to fully open. Current COVID-19 protocols in Nevada include mask mandates in Clark and Nye County, where we have operations, for all individuals within public indoor settings. Current COVID-19 protocols in California includes a general industry safety order by Cal/OSHA that masks are required statewide for unvaccinated individuals in indoor public settings and workplaces.

On March 1, 2022, the State of California changed mask requirements arising under the general industry safety order by Cal/OSHA, with a strong recommendation that masks were required statewide for unvaccinated individuals in indoor public settings and workplaces, as opposed to the previous requirement for mask use by unvaccinated individuals.

We caution that current global uncertainty with respect to the spread of COVID-19 or its variants and its effect on the broader global economy may have a significant negative effect on us. While the precise impact of COVID-19 on us remains unknown, rapid spread of COVID-19 or its variants may have a material adverse effect on global economic activity and can result in volatility and disruption to global supply chains, operations, mobility of people and the financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to us.

We are also subject to Section 280E of the Code, which prohibits businesses from taking deductions or credits in carrying on any trade or business consisting of trafficking in certain controlled substances that are prohibited by federal law. We, to the extent of our "trafficking" activities, and/or key contract counterparties directly engaged in trafficking in cannabis, have incurred significant tax liabilities from the application of Section 280E. Our income tax obligations under Section 280E of the Code are typically substantially higher as compared to companies to which Section 280E does not apply. Section 280E essentially requires us to pay federal, and as applicable, state income taxes on gross profit, which presents a significant financial burden that increases our net loss and may make it more difficult for us to generate net profit and cash flow from operations in future periods. In addition, to the extent that the application of Section 280E creates a financial burden on contract counterparties, such burdens may impact the ability of such counterparties to make full or timely payment to us, which would also have a material adverse effect on our business.

Recent Developments

The following are recent developments after the quarter ended March 31, 2021:

On August 5, 2021, our subsidiary, Planet 13 Illinois won a Conditional Adult Use Dispensing Organization License in the Chicago-Naperville-Elgin region from the Illinois Department of Financial and Professional Regulation. We are evaluating potential locations for a dispensary. We own 49% of Planet 13 Illinois and 51% is owned by Frank Cowan.

On October 1, 2021, we, through our wholly owned subsidiary, Planet 13 Florida Inc., completed the purchase of a license issued by the Florida Department of Health to operate as a MMTC in the state of Florida for $55.0 million in cash. Licensed MMTCs are vertically integrated and the only businesses in Florida authorized to dispense medical marijuana cannabis to qualified patients and caregivers. MMTCs are authorized to cultivate, process, transport and dispense medical marijuana. As of October 1, 2021, there were 22 companies with MMTC licenses with 370 dispensing locations across Florida. License holders are not subject to restrictions on the number of dispensaries that may be opened or on the number or size of cultivation and processing facilities they may operate.

On December 20, 2021, we entered into an Arrangement Agreement with NGW pursuant to which we have agreed to acquire all the issued and outstanding NGW Shares pursuant to the Plan of Arrangement**.** NGW is a Canadian-based, North American seed to sale cannabis company, which provides products and services to the cannabis industry in the State of California. NGW, through its wholly-owned subsidiary, Next Green Wave, LLC, is licensed by the State of California to produce, distribute and sell products throughout the State. On April 18, 2019, NGW obtained the Certificate of Occupancy on its 35,000 square foot facility on one of its four properties zoned for cannabis production in the City of Coalinga, California ("**Facility A**"). Facility A enables NGW to cultivate medicinal and recreational cannabis and distribute cannabis products in accordance with the requirements under the Medicinal and Adult Use Cannabis Regulation and Safety Act.

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

Pursuant to the Plan of Arrangement, at 12:01 a.m. (Vancouver time) (the "**Effective Time**") on the Closing Date, we acquired all of the NGW Shares for a total consideration of approximately C$71,791,700 (based on the closing price of our Common Shares (the "**Planet 13 Shares**") on the Canadian Securities Exchange on February 28, 2022), and NGW then amalgamated with us. The NGW Shareholders received 0.1145 of one Planet 13 Share (the "**Exchange Ratio**") and a nominal cash payment of C$0.0001 for each NGW Share held immediately prior to the Effective Time. As a result, 21,361,002 Planet 13 Shares and C$18,656 in cash were issued in exchange for the NGW Shares. In addition, the number of Planet 13 Shares issued to any person pursuant to the Arrangement was rounded down to the nearest whole Planet 13 Share, with a cash consideration paid in lieu of the issuance of such fractional Planet 13 Share of C$3.379 per share, resulting in an aggregate cash-in-lieu consideration of C$77.61.

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

We, since the closing of the Arrangement on March 2, 2022, through our wholly-owned subsidiary, NGW, LLC, are licensed by the State of California to produce, distribute and sell cannabis products throughout the State. We currently cultivate cannabis in Facility A our 35,000 square foot facility on one of the four properties owned by us and zoned for cannabis production in the City of Coalinga, California. Facility A enables us to cultivate medicinal and recreational cannabis and distribute cannabis products in accordance with the requirements under the Medicinal and Adult Use Cannabis Regulation and Safety Act in the State of California.

We, since the closing of the Arrangement on March 2, 2022, through our wholly-owned subsidiary, NGW, LLC, are licensed by the State of California to produce, distribute and sell cannabis products throughout the State. We currently cultivate cannabis in Facility A, our 35,000 square foot facility on one of the four properties owned by us and zoned for cannabis production in the City of Coalinga, California. Facility A enables us to cultivate medicinal and recreational cannabis and distribute cannabis products in accordance with the requirements under the Medicinal and Adult Use Cannabis Regulation and Safety Act in the State of California.

Results of Operations

Three Months Ended March 31, 2021, Compared to Three Months Ended March 31, 2020

Expressed in USD$	**Three Months Ended Mar-31-2021**	**Three Months Ended Mar-31-2020**	**Percentage Change**
Revenue			
Net revenue	$ 23,816,208	$ 16,793,002	41.8%
Cost of Goods Sold	(10,781,481)	(7,585,609)	42.1%
Gross Profit	**$ 13,034,727**	**$ 9,207,702**	41.6%
Gross Profit Margin %	54.7%	54.8%	
Expenses			
General and Administrative	7,974,816	6,333,297	25.9%
Sales and Marketing	659,949	1,446,606	(54.4%)
Lease expense	612,326	389,279	57.3%
Depreciation and Amortization	964,596	877,520	9.9%
Total Expenses	**10,211,687**	**9,046,702**	12.9%
Income (Loss) From Operations	**2,823,040**	**160,691**	1,656.8%
Other (Income) Expense:			
Interest Expense, net	7,158	(3,605)	(298.6%)
Realized Foreign Exchange (gain) loss	(829,635)	(542,138)	(53.0%)
Transaction costs	256,666	-	na
Change in fair value of warrants	6,187,530	(6,874,517)	(190.0%)
Other expense (income)	(62,897)	(71,956)	(12.6%)
Total Other (Income) Expense	**5,558,822**	**(7,492,216)**	(174.9%)
Income (loss) for the period before tax	**(2,735,782)**	**7,652,907**	(135.8%)
Provision for income tax (current and deferred)	3,278,647	1,904,892	72.1%
Income (Loss) for the period	**$ (6,014,429)**	**$ 5,748,015**	204.6%
Income (Loss) per share for the period			
Basic and fully diluted income (loss) per share	**$ (0.03)**	**$ 0.04**	
Weighted Average Number of Shares Outstanding			
Basic and diluted	190,777,592	162,536,424	

We experienced a 41.8% increase in net revenue during the three months ended March 31, 2021, when compared to the three months ended March 31, 2020. The increase is directly attributable to an increase in the number of customers and an increase in average spend per customer at our Planet 13 Las Vegas Superstore dispensary during the three months ended March 31, 2021, when compared to the period ended March 31, 2020. The increase in wholesale transactions during the period, the re-opening of the Medizin Dispensary in late November 2020 also contributed to the increase in overall revenue when compared to the three months ended March 31, 2020, that was negatively impacted by the COVID-19-related shutdowns. The Medizin dispensary was not open during the three months ended March 31, 2020, and, and we had limited wholesale business during the prior year period. The reopening of the Medizin dispensary and the addition of a robust wholesale business helped drive an overall 41.8% increase in revenue in Q1 2021 when compared to Q1 2020.

The easing of restrictions in Nevada and surrounding states in January 2021 and the move to further open the State of Nevada on February 15, 2021, resulted in an increase in tourist traffic to the Superstore during the first three months of 2021, with us reporting record revenues for the months of March and April 2021. On May 1, 2021, the State of Nevada allowed businesses to operate at 80% of their fire rated occupancy limits and on June 1, 2021, the State further eased its COVID-19 restrictions and allowed all businesses to fully open. Current COVID-19 protocols in Nevada include mask mandates in Clark and Nye County, where we have operations, for all individuals within public indoor settings.

On August 5, 2021, our subsidiary, Planet 13 Illinois LLC won a Conditional Adult Use Dispensing Organization License in the Chicago-Naperville-Elgin region from the Illinois Department of Financial and Professional Regulation. We are evaluating potential locations for a dispensary. We own 49% of Planet 13 Illinois and 51% is owned by Frank Cowan.

Details of net revenue by product category are as follows:

	Three Months Ended 31-Mar-21	Three Months Ended 31-Mar-20	Percentage Change
Flower	$ 13,471,590	$ 7,059,119	90.8%
Concentrates	$ 5,406,505	$ 4,515,402	19.7%
Edibles	$ 2,792,455	$ 3,883,001	(28.1%)
Topicals and Other Revenue	$ 1,111,587	$ 1,276,010	(12.9%)
Wholesale	$ 1,034,071	$ 59,470	1,638.8%
Net revenue	$ 23,816,208	$ 16,793,002	41.8%

Gross Profit margin for Q1 2021 decreased slightly to 54.7% from 54.8% when compared Q1. The decrease in Q1 2021 was a result of lower revenue contribution from in-store sales at the Las Vegas Superstore when compared to Q1 2020. Revenue from the Medizin dispensary, wholesale revenue and revenue from curb side pick-up and home delivery all have lower gross margin profitability when compared to in-store retail sales at our Planet 13 Las Vegas Superstore.

The costs of internal cultivation have continued to trend down as we continue to improve our yields and cultivation efficiency across all our cultivation facilities. In addition, margin enhancement through the creation of internally generated brands, such as TRENDI, Leaf & Vine, HaHa Gummies, Dreamland Chocolate, HaHa Beverages and Medizin, continue to have a positive impact on gross margins during the three and nine months ended September 30, 2021, helping offset the lower margins received on the sale of wholesale product and the sales to local customers in the State of Nevada. We anticipate that margins will trend upward as tourist customers return to Las Vegas and the Planet 13 Las Vegas Superstore in greater numbers.

Our premium cultivation facilities were operating near capacity during the three months ended March 31, 2021, and 2020, respectively. The amount of cannabis grown during Q1 2021 increased significantly when compared to Q1 2020 due to the addition of the 25,000 square feet of cultivation capacity that was added as part of the WVapes acquisition that closed in November 2020.

The yield per plant for the three months ended March 31, 2021, was negatively impacted by our acquisition of the WCDN cultivation facility and the WCDN strains thereby acquired. Several of the acquired WCDN strains genetically yield a lesser number of grams per plant than our Medizin strains. We have optimized the WCDN facility, both by introducing higher yielding Medizin strains as well as increasing the yield of the retained WCDN strains through improved cultivation techniques. Management believes that aggregate yields for the balance of 2021 will continue to show improvement.

General and Administrative ("**G&A**") expenses (which includes non-cash share-based compensation expenses, sales and marketing expenses and depreciation and amortization expenses) increased by 25.2% in Q1 2021 when compared to Q1 2020. The large increase in G&A expenses incurred during Q1 2021, was a result of increased costs incurred as a result of COVID-19 operating procedures, Medizin dispensary G&A expense, pre-operating labor and expenses for the Planet 13 OC Superstore location that opened July 1, 2021, and the expansion of our wholesale and delivery sales channels as well as increased expenditures related to corporate initiatives during the current periods when compared to the prior periods. Overall, excluding non-cash share-based compensation expenses, G&A expenses as a percentage of revenue equaled 32.6% for the three months ended March 31, 2021, as compared to 32.9% for the three months ended March 31, 2020.

A detailed breakdown of G&A expenses is as follows:

	For the three months ended March 31, 2021	For the three months ended March 31, 2020	Percentage Change
Salaries and wages	$ 3,448,129	$ 2,103,303	63.9%
Executive compensation	499,336	279,241	78.8%
Licenses and permits	588,041	503,438	16.8%
Payroll taxes and benefits	682,042	441,320	54.5%
Supplies and office expenses	299,784	106,114	182.5%
Subcontractors	474,640	334,470	41.9%
Professional fees (legal, audit and other)	636,170	797,412	(20.2%)
Miscellaneous general and administrative expenses	1,142,701	957,176	19.4%
Share-based compensation expense	203,973	810,823	(74.8%)
	$ 7,974,816	$ 6,333,297	25.9%

Non-cash, share based compensation of $203,973 was recognized during Q1 2021 and decreased from the $810,823 incurred in Q1 2020. The decrease can be attributable to the vesting schedule for both RSUs and incentive stock options that were previously granted. During the three months ended March 31, 2020, we also granted 50,000 RSUs to an employee on January 1, 2020, that vest 1/3 on the grant date and 1/3 on the first and second anniversary of the grant date. These amounts are non-cash, and the expense is recognized in accordance with the vesting schedule of the underlying stock options and RSUs. (See Note 12 in our audited consolidated financial statements for the year ended December 31, 2021, for additional details on the assumptions used to calculate fair value as well as information regarding the vesting of the various components of the non-cash share-based compensation).

Sales and marketing expenses decreased by 54.4% during Q1 2021 when compared to Q1 2020. The large decrease was a result of the State of Nevada COVID-19 operating restrictions in place during Q1 2021 with sales and marketing expenditures adjusted to promote the Planet 13 Las Vegas Superstore location to potential tourist customers as the State entering its reopening phase compared to a fully implemented sales and marketing program in place during Q1 2020 prior to the full shutdown on March 13, 2020. We continue to refine our marketing efforts to optimize marketing spend on initiatives that drive increased customer traffic to the Superstore complex.

Depreciation and Amortization increased by 9.9% during Q1 2021 when compared to Q1 2020, because of our recording depreciation on the WCDN cultivation facility during the period.

Interest expense recorded in Q1 2021 of $7,158 compared to interest income of $3,605 in Q1 2020, relates to accrued interest on our long-term debt that is due and payable on demand offset by interest earned on cash deposits. The balance of long-term debt as of March 31, 2021, was $884,000 compared to $884,000 as of December 31, 2020.

We conduct our operations in both the United States and Canada holding financial assets in both currencies and incurs expenses in both USD and CAD. On December 31, 2020, the value of the USD was USD$1.00= CAD$1.2732 compared to the value of the USD of USD$1.00=CAD$1.2575 as of March 31, 2021, resulting in our realizing a foreign exchange loss of ($829,635) for Q1 2021 compared to a foreign exchange loss of ($542,138) for Q1 2020. It is our policy to not hedge our CAD$ exposure.

Warrants are accounted for in accordance with the applicable authoritative accounting guidance in ASC Topic 815, Derivatives and Hedging - Contracts in Entity's Own Equity ("ASC 815"), as derivative liabilities based on the specific terms of the warrant agreements. Liability-classified instruments are recorded at fair value at each reporting period with any change in fair value recognized as a component of change in fair value of derivative liabilities in the consolidated statements of operations and comprehensive loss. Transaction costs allocated to warrants that are presented as a liability are expensed immediately within other expenses (income) in the statements of net loss and comprehensive loss. During Q1 2021 the change in fair value of the warrants resulted in a loss of ($6,187,530) compared to a gain of $6,874,517 during Q1 2020.

Other income, consisting of Automated Teller Machine (ATM) fees, interest and other miscellaneous income was $62,897 for Q1 2021 compared to $71,956 for Q1 2020.

The income tax provision for Q1 2021, was $3,278,647 compared to $1,904,892 for Q1 2020. The tax provision increased due to the increase in taxable profitability during the period. We are subject to US Federal tax legislation that denies the deduction of certain expenditures for tax purposes that would otherwise be available to non-cannabis-based businesses that results in our being subject to a higher overall tax rate on net income.

Overall net loss after tax for the three months ended March 31, 2021, was $6,014,429 (($0.03) per share) compared to net income of $5,748,015, ($0.04 per share) for the three months ended March 31, 2020.

Financial Instruments and Risk Management

Financial instrument classification and measurement

Our financial instruments carried on the annual audited consolidated statement of financial position are carried at amortized cost with the exception of cash, which is carried at fair value. There are no significant differences between the carrying value of financial instruments and their estimated fair values as of March 31, 2021, or December 31, 2020, due to the immediate or short-term maturities of the financial instruments.

Fair values of financial assets and liabilities

Our financial instruments include cash, accounts payable and accrued expenses. On March 31, 2021, the carrying value of cash is fair value. Financial instruments classified as loansand receivables and other financial liabilities are carried at amortized cost using the effective interest method. Transaction costs are included in the amount initially recognized. Accounts payable and other liabilities, notes payable, and notes payable related parties have been classified as other financial liabilities.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. It is management's opinion that we are not exposed to significant credit risk arising from these financial instruments. A portion of our revenue utilizes third-party payment platforms. These platforms batch process several days' worth of activity before funds are remitted to us. A failure of such platforms, or the inability of the platform provider to remit funds in a timely manner to us could have a material impact on our financial position. We limit credit risk by entering into business arrangements with high credit-quality counterparties. Thus, the credit risk associated with other receivables is also considered to be negligible.

Interest Rate Risk

Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. We are not exposed to significant interest rate risk.

Currency risk

We operate internationally and are exposed to foreign exchange risk arising from various currency exposures. We primarily operate in Canada and the United States and incur certain expenditures and obtain financing in both Canadian and US dollars. 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 the subsidiary that holds the financial asset or liability. Our risk management policy is to review our exposure to non-US dollar forecast operating costs on a case-by-case basis. The majority of our forecast operating costs are in US dollars and Canadian dollars. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of foreign currency financial assets and liabilities in US dollars as of March 31, 2021, is as follows:

US Dollar amounts of foreign currency assets and liabilities

	Assets	Liabilities
Canadian Dollars	$ 62,686,533	$ 23,626

Based on the financial instruments held as of March 31, 2021, we would have recognized an additional unrealized foreign exchange loss of $1,577,264 had the US dollar shifted by 10% as a result of foreign exchange effect on translation of non-US dollar denominated financial instruments. As of March 31, 2021, we have no hedging agreements in place with respect to foreign exchange rates. We have not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Liquidity Risk

Prudent liquidity risk management implies maintaining at all times sufficient cash and liquid investments to meet our commitments as they arise. We manage liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows. Where insufficient liquidity may exist, we may pursue various debt and equity instruments for short or long-term financing of our operations.

As of March 31, 2021, we had working capital of $141,517,218 (December 31, 2020, - $81,584,108) and anticipate that revenue from operations will provide sufficient funds to cover all our operating expenditures for the next 12 months and available cash on hand will be sufficient to fund any and all capital expenditure requirements for the build-out of operations in the State of Florida and the State of Illinois over the next 12 months.

Planned expansion of our cultivation facilities, production and manufacturing facilities and retail distribution facilities will not require us to raise additional capital from outside sources. We will consider financing alternatives while contemplating minimal shareholder dilution.

Our potential sources of cash flow in the upcoming year will be from the proceeds of the sale of cannabis and cannabis related products and possible equity financings, loans, lease financing and entering into joint venture agreements, or any combination thereof.

Pricing Risk

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

Concentration Risk

We currently operate exclusively in Southern Nevada and Southern California. Should economic conditions deteriorate within those regions, our results of operations and financial position would be negatively impacted.

Capital Resources

We have a recent history of operating losses. It may be necessary for us to arrange for additional financing to meet our on-going growth initiatives.

Management believes it will be able to raise equity capital as required in the long term, but recognizes the risks attached thereto. There can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing may be favorable.

Capital Management

Our capital consists of shareholders' equity. Our objective when managing capital is to maintain adequate levels of funding to support the development of our businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing and incurring debt. Future financings are dependent on market conditions. and there can be no assurance we will be able to raise funds in the future. We invest all capital that is surplus to our immediate operational needs in short-term, highly liquid, high-grade financial instruments. There were no changes to our approach to capital management during the period. We are not subject to externally imposed capital requirements.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as of March 31, 2021, and 2020, respectively, or as of the date hereof.

Critical Accounting Estimates

The preparation of consolidated financial statements in conformity with GAAP requires our management to make judgements, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Leases

We apply judgement in determining whether a contract contains a lease and if a lease is classified as an operating lease or a finance lease.

We determine the lease term as the non-cancellable term of the lease, which may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. The lease term is used in determining classification between operating lease and finance lease, calculating the lease liability and determining the incremental borrowing rate. We have several lease contracts that include extension and termination options. We apply judgement in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date of the lease, we reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

We are required to discount lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. We generally use the incremental borrowing rate when initially recording real estate leases. Information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets is not available. We determine the incremental borrowing rate as the interest rate we would pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Share-based compensation

We use 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, we utilize 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 our 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 our experience with similar instruments. Changes in assumptions used to estimate fair value could result in materially different results. Refer to Note 13 in our audited consolidated annual financial statements for the year ended December 31, 2020, for further information.

Estimated useful lives and depreciation and amortization of property and equipment, right-of-use asset and intangible assets

Depreciation and amortization of property and equipment, right-of-use assets and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and the useful lives of assets. Refer to Notes 4 and 6 of the Q1 2021 unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021, for further information.

Fair value measurement

We use valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. We base our assumptions on observable data as far as possible, but this is not always available. In that case, we use the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm’s length transaction at the reporting date.

Deferred tax assets and uncertain tax positions

We recognize deferred tax assets and liabilities based on the differences between the Consolidated financial statement carrying amounts and the respective tax bases of our assets and liabilities. We measure 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. We routinely evaluate the likelihood of realizing the benefit of our deferred tax assets and may record a valuation allowance if, based on all available evidence, we determine 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, we consider 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, we consider historical results and incorporate assumptions about the amount of future pretax operating income adjusted for items that do not have tax consequences. Our assumptions regarding future taxable income are consistent with the plans and estimates that are used to manage our underlying businesses. In evaluating the objective evidence that historical results provide, we consider three years of cumulative operating income/(loss). The income tax expense, deferred tax assets and liabilities and liabilities for unrecognized tax benefits reflect our 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 our particular facts and circumstances. Although we believe that the judgments and estimates discussed herein are reasonable, actual results, including forecasted COVID-19 business recovery, could differ, and we may be exposed to losses or gains that could be material. To the extent we prevail 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.

Subsequent Events

We During the period from April 1 to May 25, 2021, the Company issued 822,590 common shares on the exercise of warrants during the period and realized cash proceeds of $3,262,194 (CAD$4,093,390).

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 May 7, 2021, the Company issued 55,232,940 common shares on the conversion of 55,232,940 class A restricted voting shares. The Company did not receive any cash proceeds on the conversion.

On August 5, 2021, the Company's subsidiary, Planet 13 Illinois LLC, won a Conditional Adult Use Dispensing Organization License in the Chicago-Naperville-Elgin region from the Illinois Department of Financial and Professional Regulation. Planet 13 Illinois LLC is owned 51% by Frank Cowan and 49% by the Company.

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

Pursuant to the Plan of Arrangement, on March 2, 2022, the Company acquired all the NGW Shares for a total consideration of 21,361,002 Planet 13 common shares (the "Planet 13 Shares"), and NGW was then amalgamated with the Company. The NGW Shareholders received 0.1145 of one Planet 13 Share (the "Exchange Ratio") and a nominal cash payment of C$0.0001 for each NGW Share held. As a result, 21,361,002 Planet 13 Shares and C$18,656 in cash were issued in exchange for the NGW Shares. In addition, the number of Planet 13 Shares issued to any person pursuant to the Arrangement was rounded down to the nearest whole Planet 13 Share, with a cash consideration paid in lieu of the issuance of such fractional Planet 13 Share of C$3.379 per share, resulting in an aggregate cash-in-lieu consideration of C$78.

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

The Company has not yet completed its initial accounting of its business combination with NGW due to the limited time from the acquisition date and the date of these financial statements. The Company is currently determining the fair values of net assets acquired and the preliminary purchase price allocation.