



**Planet 13 Holdings Inc.**

**Annual Information Form**

**For the year ended December 31, 2020**

Dated April 5, 2021

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## MEANING OF CERTAIN REFERENCES AND CURRENCY INFORMATION

In this annual information form (“AIF” or “**Annual Information Form**”), unless the context otherwise requires, the “**Corporation**” or “**Planet 13**” refers to Planet 13 Holdings Inc. together with its wholly-owned subsidiaries. References to “Carpincho” refer to the Corporation prior to completion of the Business Combination (as defined herein).

This AIF applies to the business activities and operations of the Corporation for the year ended December 31, 2020, as updated to April 5, 2021. Unless otherwise indicated, the information in this AIF is given as of the date hereof.

Unless otherwise indicated, all references to “\$” or “US\$” in this AIF refer to United States dollars and all references to “C\$” in this AIF refer to Canadian dollars.

This AIF contains references to “marijuana” and “cannabis”. For purposes of this AIF, references to cannabis do not refer to low-tetrahydrocannabinol (“**THC**”) bearing biological variants such as hemp. Consistent with industry trends and regulatory guidance, it is the understanding of Corporation that cannabis is becoming the preferred term in lieu of the term “marijuana”.

## MARKET AND INDUSTRY DATA

Unless otherwise indicated, the market and industry data contained in this AIF is based upon information from independent industry publications, market research, analyst reports and surveys and other publicly available sources. Although the Corporation believes these sources to be generally reliable, market and industry data is subject to interpretation and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any survey. The Corporation has not independently verified any of the data from third party sources referred to in this AIF and accordingly, the accuracy and completeness of such data is not guaranteed.

## CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

This AIF includes “forward-looking information” and “forward-looking statements” within the meaning of applicable Canadian securities laws and United States securities laws. All information, other than statements of historical facts, included in this AIF that addresses activities, events or developments that the Corporation expects or anticipates will or may occur in the future is forward-looking information. Forward-looking information is often identified by the words “may”, “would”, “could”, “should”, “will”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “expect” or similar expressions and includes, among others, information regarding: expectations for the effects of the Business Combination; statements relating to the business and future activities of, and developments related to, the Corporation after the date of this AIF, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Corporation’s business, operations and plans, including the successful completion of the Corporation’s phase II and III expansions of its Planet 13 Superstore (as defined herein) in Las Vegas, Nevada, successful completion and opening of the Corporation’s Santa Ana facility, new revenue streams, the completion by the Corporation of contemplated acquisitions of additional real estate, cultivation and licensing assets, the roll out of new dispensaries, the application for additional licenses and the grant of licenses or renewals of existing licenses that have been applied for, the expansion of existing cultivation and production facilities, the completion of cultivation and production facilities that are under construction, the construction of additional cultivation and production facilities, the expansion into additional U.S. markets, any potential future legalization of adult-use and/or medical cannabis under U.S. federal law; expectations of market size and growth in the United States and the states in which the Corporation operates or contemplates future operations; expectations for other economic, business, regulatory and/or competitive factors related to the Corporation or the cannabis industry generally; and other events or conditions that may occur in the future.

Readers are cautioned that forward-looking information and statements are not based on historical facts but instead are based on reasonable assumptions and estimates of management of the Corporation at the time they were provided or made and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements. Such factors

include, among others, the limited operating history of the Corporation; the ability of the Corporation to continue as a going concern; the Corporation's actual financial position and results of operations differing from management's expectations; the Corporation's business model; a lack of business diversification; increasing competition in the industry; public opinion and perception of the cannabis industry; expected significant costs and obligations; current reliance on a single jurisdiction; development of the business of the Corporation; access to capital; ability to become profitable or pay dividends; risks relating to the management of growth; risks inherent in an agricultural business; risks relating to energy costs; risks related to research and market development; risks related to breaches of security at the Corporation's facilities; reliance on suppliers; risks relating to the concentrated voting control of the Corporation and the unpredictability caused by the existing capital structure; risks related to the Corporation being a holding company; risks related to service providers withdrawing or suspending services under threat of prosecution; risks related to proprietary intellectual property and potential infringement by third parties; risks of litigation relating to intellectual property; negative clinical trial results; insurance related risks; risk of litigation generally; risks associated with cannabis products manufactured for human consumption including potential product recalls; risks relating to being unable to attract and retain key personnel; risks relating to obtaining and retaining relevant licenses; risks relating to integration of acquired businesses; risks related to quantifying the Corporation's target market; risks related to industry growth and consolidation; fraudulent activity by employees, contractors and consultants; cyber-security risks; conflicts of interest; risks related to reputational damage in certain circumstances; leased premises risks; risks related to the COVID-19 pandemic; U.S. regulatory landscape and enforcement related to cannabis, including political risks; heightened scrutiny by Canadian regulatory authorities; risks related to capital raising due to heightened regulatory scrutiny; risks related to tax liabilities; risks related to U.S. state and local law regulations; risks related to access to banks and credit card payment processors; risks related to potential violation of laws by banks and other financial institutions; ability and constraints on marketing products; risks related to lack of U.S. federal trademark and patent protection; risks related to the enforceability of contracts; the limited market for securities of the Corporation; difficulty for U.S. holders of Planet 13 Shares to resell over the CSE (as defined herein); price volatility of Planet 13 Shares; uncertainty regarding legal and regulatory status and changes; risks related to Nevada State legislation and cannabis regulation; future sales by shareholders; no guarantee regarding use of available funds; currency fluctuations; risks related to entry into the U.S.; and other factors beyond the Corporation's control, as more particularly described under the heading "Risk Factors" in this AIF.

Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Although the Corporation has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such forward-looking information and statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such information and statements. Accordingly, readers should not place undue reliance on forward-looking information and statements. The forward-looking information and statements contained herein are presented for the purposes of assisting readers in understanding the Corporation's expected financial and operating performance and the Corporation's plans and objectives and may not be appropriate for other purposes.

The forward-looking information and statements contained in this AIF represent the Corporation's views and expectations as of the date of this AIF and forward-looking information and statements contained herein represent the Corporation's views as of the date of hereof. The Corporation anticipates that subsequent events and developments may cause its views to change. However, while the Corporation may elect to update such forward-looking information and statements at a future time, it has no current intention of doing so except to the extent required by applicable law.

## CORPORATE STRUCTURE

### **Name, Address and Incorporation**

The Corporation was incorporated under the *Canada Business Corporations Act* ("CBCA") on April 26, 2002 under the name "High Income Preferred Shares Corporation." On October 18, 2010, Wombat Investment Trust acquired control of the Corporation and on January 1, 2011 the Corporation changed its name to "Carpincho Capital Corp."

On June 11, 2018, the Corporation completed the Business Combination and filed Articles of Amendment to effect: (i) a consolidation of its share capital on a 0.875 (new) for one (1) old basis (the "Consolidation"); (ii) a name change

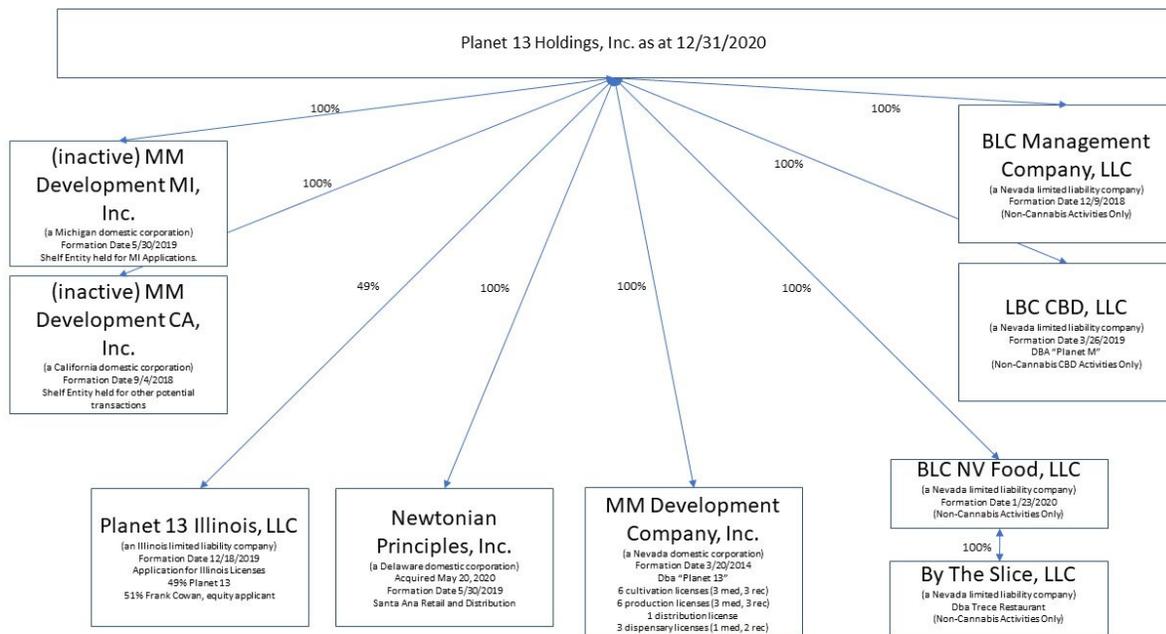
from “Carpincho Capital Corp.” to “Planet 13 Holdings Inc.” (the “**Name Change**”); and (iii) the creation of a new class of convertible, class A restricted voting shares (the “**Restricted Voting Shares**”). The Restricted Voting Shares are convertible into common shares of Planet 13 (the “**Planet 13 Shares**”) at the option of the holder or the Corporation on a share-for-share basis. Holders of Restricted Voting Shares are not entitled to vote on the election or removal of directors of the Corporation.

On June 26, 2019, the Corporation continued out of the jurisdiction of Canada under the CBCA into the jurisdiction of the Province of British Columbia under the *Business Corporations Act* (British Columbia) (“**BCBCA**”). On August 12, 2019, the Corporation’s wholly owned subsidiary 10653918 Canada Inc. (“**Finco**”) was continued out of the jurisdiction of Canada under the CBCA into the jurisdiction of the Province of British Columbia under the BCBCA and on September 24, 2019, the Corporation completed a short-form vertical amalgamation with Finco (the “**Short Form Amalgamation**”). The Short Form Amalgamation was undertaken to simplify the Corporation’s corporate structure and to obtain certain administrative and financial reporting efficiencies. No securities were issued in connection with the Short Form Amalgamation.

The registered office of the Corporation is located at 10<sup>th</sup> Floor, 595 Howe St., Vancouver, BC V6C 2T5, and the head office of the Corporation is located at 2548 West Desert Inn Road, Suite 100, Las Vegas, Nevada 89109.

**Inter-corporate Relationships**

The following diagram presents the inter-corporate relationships among the Corporation and its subsidiaries as at the date hereof. MM Development Company, Inc. MM Development Company, Inc. (“**MMDC**”) owns six current licenses for cultivation (three medical licenses and three recreational licenses), six licenses for production (three medical licenses and three recreational licenses), three dispensary licenses (one medical license and two recreational licenses) and two distribution licenses (one active and one conditional) in Nevada. Newtonian Principles, Inc. (“**Newtonian**”), a wholly-owned subsidiary of the Corporation, holds a retail license in Santa Ana, California and is in the process of completing licensing for distribution in the city.



**GENERAL DEVELOPMENT OF THE BUSINESS**

## Three-Year History

### Corporate

MMDC, formerly MM Development Company, LLC (“**MMDC LLC**”), was founded in Las Vegas, Nevada in 2014 by Larry Scheffler (Co-founder and President), Robert Groesbeck (Co-founder and Chairman) and Chris Wren (Co-founder and Vice-President of Operations) with the mission to provide compassionate, dignified and affordable access to cannabis, cannabis concentrates and cannabis-infused products to approved customers in the State of Nevada.

On July 1, 2017 recreational cannabis became available for sale to any individual over 21 years of age in the State of Nevada.

On March 14, 2018, MMDC completed a plan of conversion from a Nevada state limited liability company to a Nevada state domestic corporation, MM Development Company, Inc., with the approval of the Nevada State Department of Taxation (“**DOT**”) which oversees licensed cannabis operations in Nevada.

On May 22, 2018, the sole shareholder of the Corporation approved a resolution to, among other items of business, effect the Consolidation, Name Change and creation of the Restricted Voting Shares, which were each effected on June 11, 2018 in connection with the completion of the Business Combination.

On May 31, 2018, DOT approved the transfer of MMDC’s cultivation production, and dispensary licenses to the Corporation, pending completion of the Business Combination.

On June 11, 2018, MMDC, the Corporation, Finco and 10713791 Canada Inc. (“**Subco**”) completed the Business Combination. On June 21, 2018 the Planet 13 Shares commenced trading on the Canadian Securities Exchange (“**CSE**”) under the symbol “PLTH” and on the OTCQB under the symbol “PLNHF” on September 17, 2018.

Prior to the completion of the Business Combination, the only active business operations of the Corporation was to carry on activities as a venture capital company seeking assets or businesses with good growth potential to merge with or acquire. Following the most recently completed financial year and taking into account the completion of the Business Combination, the Corporation has continued the business of MMDC.

On June 26, 2019, Corporation was continued out of the CBCA and into BCBCA under Certificate of Continuation Number C1214182. Finco was continued into the BCBCA on August 12, 2019 and the Short Form Amalgamation was completed on September 24, 2019.

### The 2018 Business Combination

On April 26, 2018, the Corporation entered into: (i) a definitive share exchange agreement (the “**Share Exchange Agreement**”) with MMDC and its shareholders, providing for the acquisition (the “**Acquisition**”) of all of the outstanding shares of MMDC by the Corporation in exchange for an equal number of Planet 13 Shares on a post-Consolidation basis; and (ii) a definitive agreement (the “**Definitive Agreement**”) with Finco, a special purpose vehicle incorporated on February 27, 2018 for the sole purpose of completing the Offering and the Business Combination, and Subco, a wholly-owned subsidiary of the Corporation, providing for the amalgamation of Subco and Finco (the “**Amalgamation**”) to be completed following the completion of the Acquisition (the Acquisition and the Amalgamation, together the “**Business Combination**”). The Business Combination, which was completed on June 11, 2018, was structured as a series of transactions, including a Canadian three-cornered amalgamation transaction, share exchange, and a series of U.S. reorganization steps, and constituted a reverse takeover of the Corporation by MMDC.

## 2018 Financings

Prior to 2018, MMDC was largely financed by its founders Robert Groesbeck and Larry Scheffler, and companies controlled by them, by a combination of cash contributions classified as debt with accrued interest exceeding US\$6,600,000 and reinvestment of operating proceeds.

On January 1, 2018, Messrs Groesbeck and Scheffler converted an aggregate of US\$3,334,304 of their controlled entity debts to equity in MMDC and Chris Wren, Vice President of Operations of MMDC, contributed valuable intellectual property, including genetic strains, cultivation processes, and manufacturing processes, to MMDC in return for a 6% interest in MMDC. The foregoing resulted in MMDC issuing to such persons, in the aggregate, 25,300 class A common voting shares of MMDC and 49,700,000 class B common non-voting shares of MMDC which were subsequently converted into 25,300,000 Planet 13 Shares and 49,700,000 Restricted Shares, respectively, on closing of the Business Combination.

On June 20, 2018, Messrs. Groesbeck and Scheffler, through controlled companies, converted an aggregate of approximately US\$3.4 million principal amount and accrued interest of unsecured promissory notes of the Corporation held by them into an aggregate of 5,532,940 Restricted Voting Shares, or 2,766,470 Restricted Voting Shares each, at a conversion price of C\$0.80 per Restricted Voting Share.

On October 15, 2015, an original member of MMDC LLC, Ollehea, LLC, requested that MMDC LLC repurchase its interest as allowed under an operating agreement then in effect. Consequently, the remaining members of MMDC LLC at the time agreed to issue promissory notes to Ollehea on behalf of the MMDC LLC in the amount of US\$101,997 each to satisfy the repurchase requirement. The notes were repaid by the Corporation on July 9, 2018.

During the year ended December 31, 2018, the Corporation issued 2,580,810 Planet 13 Shares to warrant holders who exercised 2,580,810 warrants resulting in cash proceeds of C\$2,374,253.

### **The 2018 Subscription Receipt Offering**

Over the course of three tranches on April 26, May 18 and May 23, 2018, Finco completed private placements of subscription receipts (the “**Subscription Receipts**”) at a price of C\$0.80 per Subscription Receipt for aggregate gross proceeds of approximately C\$25.1 million (the “**Subscription Receipt Offering**”), the brokered portion of which was conducted by a syndicate of agents co-led by Beacon Securities Limited and Canaccord Genuity Corp. and including Haywood Securities Inc. (collectively, the “**Agents**”). The proceeds from the Subscription Receipt Offering, less certain expenses, were placed into escrow on completion of the Subscription Receipt Offering. In connection with the completion of the Business Combination, the Subscription Receipts were converted on a one-for-one basis into a total of 31,458,300 common shares of Finco and 15,729,150 common share purchase warrants of Finco, which upon completion of the acquisition of Finco by the Corporation were exchanged for an equal number of Planet 13 Shares and Planet 13 Share purchase warrants (the “**Planet 13 Warrants**”), respectively, and the escrowed proceeds from the Subscription Receipt Offering, less the commission of the Agents and certain fees and expenses, were released from escrow to the Corporation. Each Planet 13 Warrant may be exercised for one Planet 13 Share at an exercise price of C\$1.40 for a period of 24 months from the date of issue. In consideration for services rendered, the Agents were paid a cash commission equal to 6% of the gross proceeds of the Subscription Receipt Offering and issued 1,485,645 compensation warrants (the “**Compensation Warrants**”). Each Compensation Warrant entitled the holder thereof to purchase one Planet 13 Share at an exercise price of C\$0.80 until June 11, 2020.

### **2018 Bought Deal Offering**

On December 4, 2018 the Corporation issued 8,735,250 units (each, a “**Unit**”) at a price of C\$3.00 per Unit and 425,000 Planet 13 Share purchase warrants (the “**Over-Allotment Warrants**”) for a price of C\$0.44 per Over-Allotment Warrant for aggregate gross proceeds of C\$26,392,750 pursuant to a bought deal offering (the “**Bought Deal Offering**”). The Bought Deal Offering was led by Beacon Securities Limited and included Canaccord Genuity Corp and Cormark Securities Inc. (collectively, the “**Bought Deal Underwriters**”). Each Unit was comprised of one Planet 13 Share and one-half of one Planet 13 Share purchase warrant (each whole warrant, a “**Unit Warrant**” and, together with the Over-Allotment Warrants, the “**Bought Deal Warrants**”). Each Bought Deal Warrant entitled the holder to purchase one Planet 13 Share at an exercise price of C\$3.75 for a period of 36 months following the closing of the Bought Deal Offering

unless earlier accelerated by the Corporation pursuant to the terms thereof. On December 23, 2020, the Corporation announced that it had elected to accelerate the expiry date of the outstanding Bought Deal Warrants to January 28, 2021.

As consideration for services rendered, the Bought Deal Underwriters were paid a cash commission equal to 6.0% of the gross proceeds of the Bought Deal Offering and issued compensation options equal to 6% of the number of Units and Over-Allotment Warrants sold (the “**Compensation Options**”). Each Compensation Option entitled the holder thereof to purchase one Planet 13 Share at an exercise price of C\$3.00 for a period of 24 months following the closing of the Bought Deal Offering. The Corporation recorded share issuance costs of C\$1,536,302.

## **2019 Formation of Non-Operational Entities**

In 2019, the Corporation formed MM Development MI, Inc. and Planet 13 Illinois, LLC for the purpose of state and local cannabis applications, and LBC CBD, LLC for the purpose of marketing and selling the Corporation’s CBD (as defined herein) line of products. The Corporation also formed BLC NV Food, LLC in January 2020, for the purpose of potential lounge, restaurant, and catering opportunities, and restricted license applications to local jurisdictions in Nevada. These projects are non-operational as of the date of this AIF, and as material information develops related to each entity, it will be disclosed at the appropriate time and manner by the Corporation

On March 1, 2019 the Corporation issued 1,922,786 Planet 13 Shares on the exercise of Restricted Share Units that had vested during the period.

On March 20, 2019 the Corporation issued 15,002 Planet 13 Shares on the exercise of options that had a strike price of C\$0.80 per share resulting in cash proceeds of C\$12,002. The closing share price of Planet 13 Shares on March 20, 2019 was C\$1.80.

On July 9, 2019 the Corporation issued the following number of Planet 13 Shares upon the exercise of options: (i) 205,660 Planet 13 Shares at an exercise price of C\$0.80 per share resulting in cash proceeds of C\$164,528; (ii) 5,000 Planet 13 Shares at an exercise price of C\$0.75 per share resulting in cash proceeds of C\$3,750; and (iii) 33,332 Planet 13 Shares at an exercise price of C\$1.55 resulting in cash proceeds of C\$51,665. The closing share price of Planet 13 Shares on July 9, 2019 was C\$2.50

In addition, on July 9, 2019, the Corporation issued 1,932,732 Planet 13 Shares on the exercise of Restricted Share Units that had vested during the period.

During the period from July 31 to December 31, 2019 the Corporation issued an aggregate of 198,000 Planet 13 Shares on the exercise of Restricted Share Units that had vested at a rate of 33,000 Restricted Share Units per month during such period.

During the year ended December 31, 2019, the Corporation issued 4,889,647 Planet 13 Shares to warrant holders who exercised 4,889,647 warrants to purchase Planet 13 Shares resulting in cash proceeds of C\$6,480,875.

## **2020 Acquisitions and Financing, Re-Opening Medizin Dispensary**

### *Santa Ana Acquisition*

On May 20, 2020, the Corporation acquired (the “**Santa Ana Acquisition**”) all of the issued and outstanding common stock (the “**Newtonian Shares**”) of Newtonian, resulting in the Corporation acquiring a provisional cannabis retail license, adult use issued by the State of California Bureau of Cannabis Control (the “**California License**”) and a regulatory safety permit issued by the City of Santa Ana (the “**Santa Ana Permit**”), which were both held by Newtonian, and a 30-year lease for a dispensary in Santa Ana, California (the “**Santa Ana Premise**”) along with certain other assets (collectively, the “**Warner Assets**”) from Warner Management Group, LLC (“**Warner**”). Newtonian had no operations at the time of the Santa Ana Acquisition. The Corporation issued 3,940,932 Restricted Voting Shares (the “**Santa Ana Consideration Shares**”), representing an agreed value of US\$4,000,000, to certain vendors in consideration for the Newtonian Shares, and paid Warner US\$1,000,000 in cash and cancelled an interim buildout loan to Warner in consideration for the Warner Assets.

The Santa Ana Consideration Shares were subject to a four-month and one day hold period under Canadian securities laws and continue to be subject to a lock-up whereby 1/8th of the Santa Ana Consideration Shares will be released from lock-up each month beginning on September 22, 2020.

On September 25, 2020, Newtonian received a Regulatory Safety Permit Phase 1 approval from the City of Santa Ana for distribution activities at the Santa Ana Premise. Newtonian has applied for permits and is pursuing RSP/Phase 2

approvals, upon receipt of which Newtonian will apply for California-state licensing for distribution activities, targeted to be received in or around May 2021, prior to retail operations commencement at the Santa Ana Premise.

As of the date of this AIF, although it holds the California License and the Santa Ana Permit, the Corporation conducts no operations in the State of California. The Corporation will commence retail sales operations at the Santa Ana Premise upon completion of its planned facility build-out and expansion within the Santa Ana Premise, anticipated on or about July 1, 2021. Until such time, the Corporation intends to continue to hold the California License and the Santa Ana Permit and submit applications for renewals of such license and permit as required.

The Corporation is proceeding with a construction schedule. The construction budget for the 19,000 square foot adult-use retail facility at the Santa Ana Premise is US\$6,000,000, with approximately 7% of this budget allocated to the design phase. The Corporation has engaged a design team and is proceeding with a construction schedule. 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, plan review is ongoing with the City of Santa Ana, and based on this timeline, the project is estimated to be completed at the end of Q2 2021. While the Corporation does not anticipate further delays to this schedule, due to the ongoing COVID-19 pandemic, there may be further delays at various stages of the construction process, including during permitting or during the construction phase of the project.

#### *WCDN Acquisition*

On July 17, 2020, the Corporation entered into an asset purchase agreement (the “**WCDN Asset Acquisition Agreement**”) with West Coast Development Nevada, LLC (“**WCDN**”), W The Brand, LLC, and R. Scott Coffman, pursuant to which the Corporation, through MMDC, acquired cannabis inventory, equipment and tenant improvements located in a 25,000 square feet facility at 4801 West Bell Drive, Las Vegas, Nevada 89118 (the “**WCDN Acquisition Facility**”), which has the ability to expand to 45,000 square feet (the “**WCDN Acquisition**”). The purchase price for the asset purchase was US\$4.1 million and consisted of US\$1.156 million in cash for the inventory and US\$3 million (US\$0.5 million cash and US\$2.5 million of Common Shares, resulting in the issuance of 1,374,833 Common Shares (the “**WCDN Consideration Shares**”) based on a 10-day volume weighted average price of the Common Shares as of the close of trading on July 16, 2020) for the operating assets and licenses. The WCDN Consideration Shares were held in escrow until the Second Closing (as defined herein). The WCDN Acquisition allows the Corporation to solidify its vertical integration in Nevada. The privileged licenses include medical and adult-use cultivation and production licenses in unincorporated Clark County, already operating with years of successful operations, and these licenses were transferred to the Corporation’s existing Nevada subsidiary, MMDC, to be operated on the same terms and subject to the same oversight provided at MMDC’s current production and cultivation operations in unincorporated Clark County, Nevada.

The transaction was scheduled to close in two parts, the first closing being cash transferred for the equipment and cannabis inventory which occurred on July 17, 2020, and the second closing (the “**Second Closing**”) being contingent on the approval to transfer the license and receipt of the cultivation and production licenses from the State of Nevada’s Cannabis Control Board (“**CCB**”). On August 25, 2020, the CCB conditionally approved the transfer of the cultivation and production licenses to MMDC, and on September 3, 2020 MMDC received the cultivation and production licenses pursuant to a letter from the CCB and certificates issued on November 3, 2020. By way of an October 12, 2020 letter from the CCB, MMDC received a conditional distribution license from WCDN. The CCB later revisited that letter, claimed it was issued unintentionally or in error, and by CCB public hearing approved the transfer of the conditional distribution license from WCDN to MMDC on December 18, 2020. The approval of the conditional distribution license was confirmed in a letter from the CCB dated January 4, 2021. This is a conditional permit, and no certificate will be available until receipt of a final inspection by the CCB on or prior to February 5, 2022.

On September 11, 2020, the Corporation mutually agreed with WCDN that the receipt by MMDC of a business license issued by unincorporated Clark County which would permit the Corporation to conduct business in Clark County (the “**Clark County Business License**”) was a necessary condition precedent to the Second Closing. MMDC received the Clark County Business License and subsequently completed the Second Closing on November 27, 2020, at which time WCDN Consideration Shares were released from escrow to WCDN.

Concurrent with the first closing of the WCDN Acquisition, RX Land, LLC (“**RX Land**”), an entity owned by the Corporation’s co-CEOs, acquired the WCDN Acquisition Facility for US\$3.3 million and entered into a lease agreement with WCDN in respect of such facility (the “**Initial West Bell Lease**”). In accordance with the terms of the WCDN Asset Acquisition Agreement and approvals by the independent directors of Planet 13, WCDN assigned the Initial West Bell Lease to MMDC on November 25, 2020, and MMDC subsequently entered into an amending agreement with RX

Land on November 27, 2020, to amend certain terms of such lease agreement including increasing the lease payments, extending the duration of the lease and, if desired, allowing for second floor installation by MMDC without a corresponding lease rate increase due to an increase in facility size. The entering into by MMDC of the assignment agreement and the amending agreement with RX Land constitutes a “related party transaction” under Multilateral Instrument 61-101– *Protection of Minority Security Holders in Special Transactions*. Please see the material change report filed by the Corporation on December 7, 2020 announcing the completion of the Second Closing, which is available under the Corporation’s issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com).

#### *July 2020 Bought Deal*

On July 3, 2020, the Corporation completed its previously announced bought deal financing for aggregate gross proceeds of C\$11,521,850 (the “**July 2020 Bought Deal**”) pursuant to which an aggregate of 5,359,000 units (each, a “**July 2020 Bought Deal Unit**”) of the Corporation were sold at a price of C\$2.15 per July 2020 Bought Deal Unit. Each July 2020 Bought Unit consisted of one Common Share and one-half (1/2) of one Common Share purchase warrant (each whole warrant, a “**July 2020 Bought Deal Warrant**”). Each July 2020 Bought Deal Warrant entitles the holder thereof to acquire one Common Share at an exercise price of C\$2.85 per Common Share until July 3, 2022.

The underwriters received a cash commission equal to 6.0% of the gross proceeds from the sale of the July 2020 Bought Deal Units. The underwriters also received compensation options (each a “**July 2020 Bought Deal Compensation Option**”) equal to 6.0% of the number of July 2020 Bought Deal Units sold. Each July 2020 Bought Deal Compensation Option entitles the underwriters to purchase one Common Share at a price of C\$2.15 until July 3, 2022.

#### *September 2020 Bought Deal*

On September 10, 2020, the Corporation completed its previously announced bought deal financing for aggregate gross proceeds of C\$23,019,550 (the “**September 2020 Bought Deal**”) pursuant to which an aggregate of 6,221,500 units (each, a “**September 2020 Bought Deal Unit**”) of the Corporation were sold at a price of C\$3.70 per September 2020 Bought Deal Unit. Each September 2020 Bought Unit consisted of one Common Share and one-half (1/2) of one Common Share purchase warrant (each whole warrant, a “**September 2020 Bought Deal Warrant**”). Each September 2020 Bought Deal Warrant entitles the holder thereof to acquire one Common Share at an exercise price of C\$5.00 per Common Share until September 10, 2022.

The underwriters received a cash commission equal to 6.0% of the gross proceeds from the sale of the September 2020 Bought Deal Units. The underwriters also received compensation options (each a “**September 2020 Bought Deal Compensation Option**”) equal to 6.0% of the number of September 2020 Bought Deal Units sold. Each September 2020 Bought Deal Compensation Option entitles the underwriters to purchase one Common Share at a price of C\$3.70 until September 10, 2022.

#### *November 2020 Bought Deal*

On November 5, 2020, the Corporation completed its previously announced bought deal financing for aggregate gross proceeds of C\$28,604,625 (the “**November 2020 Bought Deal**”) pursuant to which an aggregate of 6,698,750 units (each, a “**November 2020 Bought Deal Unit**”) of the Corporation were sold at a price of C\$4.30 per November 2020 Bought Deal Unit. Each November 2020 Bought Unit consisted of one Common Share and one-half (1/2) of one Common Share purchase warrant (each whole warrant, a “**November 2020 Bought Deal Warrant**”). Each November 2020 Bought Deal Warrant entitles the holder thereof to acquire one Common Share at an exercise price of C\$5.80 per Common Share until November 5, 2022.

The underwriters received a cash commission equal to 6.0% of the gross proceeds from the sale of the November 2020 Bought Deal Units. The underwriters also received compensation options (each a “**November 2020 Bought Deal Compensation Option**”) equal to 6.0% of the number of November 2020 Bought Deal Units sold. Each November 2020 Bought Deal Compensation Option entitles the underwriters to purchase one Common Share at a price of C\$4.30 until November 5, 2022.

## *Medizin Re-opening*

MMDC applied for dispensary licenses in Nevada pursuant to a competitive application process in September 2018, and was notified that no licenses were awarded in December 2018. On information known at that time, MMDC filed a lawsuit against the State of Nevada, along with a significant majority of other similarly denied applicants. After the first week of trial in July 2020 on that litigation pending from December 2018, MMDC entered into a settlement agreement with the State of Nevada, and defendants in intervention to receive a license in unincorporated Clark County to reopen the Medizin location. On July 31, 2020, the Nevada Tax Commission convened and approved the signed Nevada License Settlement and requested that the CCB, which had authority over Nevada-licensed cannabis businesses as of July 1, 2020, also convene and approve the settlement. On August 7, 2020, the CCB convened and approved the Nevada License Settlement. Pursuant to the Nevada License Settlement, the Corporation's subsidiary MMDC agreed to a release and waiver of its claims against the State of Nevada and the defendants in intervention, in return for MMDC receiving the provisional unincorporated Clark County adult-use dispensary license originally received by Nevada Organic Remedies in December 2018. Pursuant to a letter dated September 3, 2020, the CCB transferred the conditional Clark County dispensary license to MMDC. On November 20, 2020, the Corporation opened the Medizin store location, having received CCB final inspection approvals and a Clark County business license.

## **DESCRIPTION OF THE BUSINESS**

### **General**

The Corporation is a vertically integrated cultivator and provider of cannabis and cannabis-infused products in the State of Nevada, with four licenses for cultivation operating out of two facilities (one medical license and one recreational license at each facility), four licenses for production operating out of two facilities licenses (one medical license and one recreational license at each facility), and two dispensary licenses (one medical license and one recreational license). The Corporation currently sells over 107 different strains of cannabis (18 of which are grown in house) and has a customer-loyalty database of over 45,000 customers. The Corporation owns and manufactures cannabis products under the following brands: HaHa (gummies), Dreamland (chocolates), TRENDI (vapes and concentrates), Medizin (flower, vapes, concentrates), Leaf and Vine (vapes) and Elysium (beverages approved for manufacture, and pending launch).

### **Overview of the Corporation's Cannabis Business**

#### *Introduction*

On November 1, 2018, the Corporation opened a new dispensary centrally-located and within close proximity of the Las Vegas strip corridor, less than 500 feet from the Trump Tower and less than 2,500 feet from the Wynn hotel referred to as the "Planet 13 Superstore" (the "**Planet 13 Superstore**"). MMDC entered into an arm's length agreement to lease a 100,000 square foot building to house its Planet 13 Superstore dispensary and corporate office space in a Phase I build-out of the location. In October 2019, the Corporation opened a 4,500-square-foot coffee shop and pizzeria in the Planet 13 Superstore. In 2020, the coffee shop and pizzeria was renamed as the Trece Eatery + Spirits restaurant, owned and operated by Corporation through its subsidiaries. Future plans include the opening of a possible consumption lounge and a non-cannabis retail facility. The Planet 13 Superstore lease has a seven-year term with two seven-year renewal options and the Corporation has a right-of-first-refusal on any sale of the building. Prior to the opening the Planet 13 Superstore, the Corporation sold both medical and recreational products from its then existing facilities. On April 1, 2019, the Corporation entered into a lease and sub-license agreement for an additional 4.17 acres of land directly adjacent to the Planet 13 Superstore for additional parking. The term of the April 1, 2019 lease and sub-license runs concurrent with the Planet 13 Superstore lease. See "*Description of the Business – Leases*".

The Corporation may in the future build a 100,000 square foot greenhouse for cultivation and an approximately 43,000 square foot processing/production facility located in Beatty, Nevada, approximately 120 miles north-west of Las Vegas, that will comprise up to three million square feet of greenhouse space for the cultivation of cannabis. The site,

which is owned by the Corporation, has been permitted and is ready for construction to begin. The Corporation is evaluating the timing of construction based on an anticipated excess of supply of wholesale cannabis product coming to market in 2020 and 2021. The Corporation expects to revisit its expansion plans for the Beatty facility once the wholesale market in Nevada stabilizes.

### *Cultivation*

The Corporation, through MMDC, cultivates its cannabis products at: (i) a 16,100 square foot leased facility with a perpetual harvest cycle located in Las Vegas (Clark County); (ii) a 500 square foot facility in Nye County where the Corporation conducts product research and development and genetics testing, and (iii) a 45,000 square foot leased facility with 25,000 square feet of built-out cultivation and production facilities located in Las Vegas (Clark County).

### *Production*

As of October 2019, the Corporation produces its cannabis products in (i) a 15,000 square foot leased facility in Las Vegas (Clark County) co-located at the Planet 13 Superstore dispensary and separate from the 16,100 square foot cultivation and distribution facility in Las Vegas (Clark County); (ii) a facility in Nye County owned by Planet 13 and co-located with cultivation operations, and (iii) a 45,000 square foot leased facility with 25,000 square feet of built-out cultivation and production facilities located in Las Vegas (Clark County). From prior to opening the 15,000 square foot facility and up to the end of October 2019, the Corporation produced its cannabis products at a separate 4,750 square foot facility leased in Las Vegas (Clark County). All cannabis production licenses held by the Corporation in the State of Nevada have been issued to MMDC.

### *Distribution*

The Corporation currently operates distribution activities, primarily for the transport of its products between its cultivation, production, and dispensing operations, out of its 16,100 square foot cultivation facility located in Las Vegas (Clark County). In addition to self-distribution services, the distribution license is used for the delivery of the Corporation's wholesale products to licensed Nevada-state cannabis retailers. All distribution licenses held by the Corporation in the State of Nevada have been issued to MMDC.

### *Dispensing*

The Corporation also has three Nevada dispensary licenses, one for medical and two for the sale of adult-use product. One medical and one adult-use license are co-located in the Planet 13 Superstore, being approximately 16,000 square feet of retail space located adjacent to the Las Vegas Strip. One adult-use license is used for the Medizin-branded store in Clark County, a 2,300 square foot retail facility. The Planet 13 Superstore has the capacity to serve between 2,000 to 3,000 customers per day through its new, enhanced dispensary. It is the Corporation's plan to build out the balance of the Planet 13 Superstore location with ancillary services such as 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. Lounge facility build-out and operation are pending state and county legislation and subsequent licensing of the facility. The Planet 13 Superstore also houses the Corporation's corporate offices.

In March 2020, per executive order of Nevada's Governor Steve Sisolak in response to the public health crisis arising from the novel strain of the coronavirus known as SARS-CoV-2 which is responsible for the coronavirus disease known as COVID-19, all Nevada dispensaries were mandated as an essential service but were restricted to delivery only, with no curbside pickup or in-store sales permitted until such delivery-only order was lifted on May 30, 2020, when the Planet 13 Superstore re-opened with no more than ten customers allowed in the store at any given time. During the delivery-only restricted operational period, the Corporation increased its delivery vehicle fleet to 29 vehicles, and upon the re-opening of the Planet 13 Superstore, the Corporation was able to meet the increased home-delivery requests by keeping 20 of those vehicles in constant operation. On June 4, 2020, the State of Nevada increased the allowed occupancy of all businesses in Nevada to a maximum of 50% of the fire rated capacity of the location. The Corporation is currently adhering to the guidelines set by the State of Nevada and is able to serve 268 customers in the Planet 13 Superstore at one time under the revised capacity limits set out as of June 4, 2020. On November 24, 2020, Governor Sisolak instituted a Nevada state-wide "pause", which limited certain industries such as gaming and

restaurants, to 25% capacity, but did not further restrict the 50% fire rated capacity limits imposed on cannabis establishments. On December 4, 2020, Nevada announced a COVID-19 vaccine allocation plan, and on December 14, 2020, the first shipment of vaccines were received in Nevada and began distribution under the Nevada allocation plan. The Nevada state-wide “pause” was extended on December 13, 2020, and again for an additional 30-days on January 11, 2021. On March 4, 2021, Nevada announced a “Roadmap to Recovery” relaxing the restrictions in phases and a release from State-level oversight to local jurisdictions by May 2021.

The Corporation has identified that regulatory permits, applications, and submittals are taking longer for Nevada and California regulators to process, as those jurisdictions at the state and local levels have redesignated resources towards COVID-19 response, furloughed regulatory employees, or maintained limited office hours for submissions. As of the date of this Prospectus, the Corporation does not yet know the duration or magnitude of the COVID-19 pandemic but will continue to operate its core business of dispensing cannabis to adult-use and medical customers in accordance with the State of Nevada’s guidelines and restrictions.

### *Objectives*

The Corporation’s central objective is to capitalize on the opportunities presented as a result of the changing regulatory environment governing the cannabis industry in the United States. The Corporation’s vision is to establish a leading foothold in several distinct parts of the value chain of the North American medical cannabis and recreational cannabis industries, beginning in the State of Nevada, and then replicating its model in other jurisdictions where permitted by law or regulation.

The Corporation considers itself to be well positioned to take advantage of growth in the cannabis industry in the United States with its multi-faceted strategy and entrepreneurial management team. The Corporation is aware that the legal cannabis industry is in its infancy and is rapidly evolving which presents risks in addition to opportunities. There is no certainty that the Corporation will not be adversely affected by changes in government regulation and other factors in the future. The Corporation aims to mitigate these risks by closely monitoring regulatory changes with the assistance of legal counsel and by maintaining high standards with respect to legal, accounting and security controls, as well as proactively taking a leadership role in working with regulatory bodies and other stakeholders to build the necessary institutional infrastructure typically available to other types of businesses.

Over time, the Corporation’s business model may differ depending on the various legal requirements affecting the use of medical and/or recreational cannabis. All U.S. States that have legalized cannabis for medical or recreational use require licensed operators to hold a license issued by the applicable state authorities. In some states, for a licensed operator to be eligible to be granted a license, the owners of the licensed operator must be residents of such U.S. State. As such, listed companies or other widely held enterprises may be ineligible to obtain a license in those states where a licensed operator must be a U.S. State resident. The Corporation will not operate in jurisdictions which have not legalized cannabis and does not intend on operating in jurisdictions which have legalized cannabis but have not developed and imposed a licensing regime for licensed operators. See “*United States Regulatory Environment*”.

### **Uses of Cannabis**

Cannabis can be vaporized, smoked or ingested to alleviate pain and other ailments. Since 2014, the Corporation has been cultivating and selling cannabis within the price range from US\$7.50 to US\$14.50 per gram, depending on the strain. Typically, growth time and strain yield will determine whether a strain is low or high priced. Very particular strains may be priced higher than the given range, but this would be the exception.

The Corporation offers its customers a diverse range of products, including cannabis flowers, cannabis concentrates and cannabis-infused products. In total, the Corporation currently offers over 78 cannabis strains at its dispensary, including 18 proprietary strains grown in-house, covering the entire cannabis spectrum. The Corporation believes that carrying a popular variety of strains of medical and recreational cannabis is essential to long-term success. Each strain of medical cannabis is unique. Some of the factors that impact whether a particular strain may be right for a customer include levels of THC and/or CBD and whether the plant strain is a Sativa, Indica or Hybrid genetic variant.

The Corporation believes that it will gain a significant competitive advantage by growing high yielding strains which are good extractors and which mature in a short growing cycle while still providing medicinal benefits that are appropriate for a customer's specific ailments or desired effects. Further, finding the right product for a customer's condition or needs may require sampling a variety of strains, as every person is unique.

The Corporation's current cultivation, production, distribution and marketing business is currently focused on the medical and recreational segments, with product offerings sold through its own licensed retail dispensaries.

### **Expected Changes in the Business of the Corporation**

In 2020 the Corporation acquired and is building out a second "superstore" facility in Santa Ana at the Santa Ana Premise the ("**Planet 13 Orange County Superstore**"), acquired additional cultivation and production facilities in Clark County, Nevada to supplement its wholesale activities and vertical supply chain, and is working with state and local legislature and regulators in preparation for lounge facilities at its Las Vegas Superstore.

The Corporation intends to seek out potentially beneficial acquisitions and partnerships and pursue M&A opportunities where considered accretive to accelerate its business expansion plans and drive incremental value by acquiring cultivation, production or dispensary facilities and management and other personnel in line with its stated growth and capital strategies. See "*Business Objectives*" below.

### **U.S. Expansion**

In the future, the Corporation may pursue other opportunities in the United States (outside the State of Nevada) where medical and retail (sometimes referred to as "recreational") cannabis are presently legal. The Corporation will only conduct business in jurisdictions outside of Nevada or California where such operations remain compliant with the Corporation's regulatory obligations.

### **Business Objectives**

The Corporation's short-term business objectives are to:

- Complete construction of Phases II and III of the Planet 13 Superstore. Objectives and milestones include:
  - open the Planet 13 Orange County Superstore in Q2 2021;
  - completion of planned shells for retail sub-tenants at the Corporation's facilities;
  - completion of 4.17 acres parking lot expansion at Planet 13 Superstore for expanded retail facility in 2021 and potential lounge use;
  - completion of non-cannabis retail facility at Planet 13 Superstore in Q2 2021;
  - expansion of its Planet 13 Superstore to add an additional 40 points of sale in Q2 2021; and,
  - completion of planned cannabis consumption lounge.
- Continue to hire management and cultivation teams with the required skills and backgrounds to differentiate the Corporation in the marketplace.
- Identify potentially beneficial acquisitions and partnerships and pursue M&A opportunities where considered accretive to accelerate its business expansion plans and drive incremental value by acquiring cultivation, production or dispensary facilities and management and other personnel in line with its stated growth and capital strategies.

## Principal Products and Services

The Corporation currently operates the Planet 13 Superstore, a 16,000 square foot licensed cannabis dispensary located near the Las Vegas Strip from which: (i) it dispenses medical (Medizin) and retail (Planet 13) product lines and provides a unique customer experience through entertainment features; (ii) provides the consultation, education and convenience services described below; and (iii) owns and operates Trece Eatery + Spirits. The Corporation's principal products are cannabis and cannabis-infused items sold to consumers in the medical and retail cannabis markets in the State of Nevada, as further described in this AIF.

Co-located with the Planet 13 Superstore, the Corporation operates a customer-viewable production facility manufacturing wholesale edible and concentrate products, include the award winning TRENDI line, Dreamland Chocolates, HaHa gummies and sparkling beverages. These products are sold in-store, and are sold at wholesale to 51 other dispensaries in Nevada.

The Corporation also operates the Medizin dispensary, reopened in November 2020.

### *Services*

In addition to its product offerings, the Corporation offers a number of services described below, designed to educate, spread awareness of the benefits of medical cannabis and increase customer convenience. The Corporation also provides a range of complementary services that are designed to assist patients to become educated about medical cannabis and maintaining a healthy lifestyle. These services include the following:

- 1. Cardholder Process Navigation.** The Corporation's dispensary staff assist new patients through the medical cannabis cardholder application process. The Corporation also works with a referral network of doctors to whom they can send potential new patients in order to commence the process.
- 2. Individual Consultations.** The Corporation offers one-on-one consultations for first time patients/customers who might be apprehensive about the use of cannabis as a medicinal or recreational product. The Corporation's trained patient care specialists and in-house subject matter experts are able to provide information regarding the benefits and effects of various cannabis products and provide dosage advice as well as recommendations regarding the proper method of medicating and/or recreating.
- 3. Compassionate Care Program.** The Corporation offers a compassion program for eligible, cardholding veterans, offering such veterans access to the Corporation's alternative healing services, regardless of financial status. Veteran patients are asked to have a one-on-one consultation with the dispensary manager or executive management staff to assess to what extent the veteran requires assistance and determine what options may be available to help them.
- 4. Patient Education.** The Corporation plans to implement patient education services with a goal of providing patient education in the context of every service the company offers. The Corporation plans to offer a library that will include information on general holistic healing, medical cannabis use and research.
- 5. Express Service.** The Corporation offers customers the option to place orders in advance of arriving at the dispensary similar to pick up orders at a restaurant.
- 6. Home Delivery.** The Corporation offers its customers a convenient home delivery program which was launched by MMDC in October 2017. In the initial phase, MMDC delivered its products to locations within unincorporated Clark County and the City of Henderson which comprise 60% and 20% of Clark County, respectively. As of September 2019, the Corporation had expanded its fleet of delivery vehicles to five, and delivered adult use and medical products to the majority of metropolitan areas located within Clark County, with the exception of Henderson, pending an update to the Henderson municipal code. In March 2020, per executive order of Nevada's Governor Steve Sisolak in response to the public health crisis arising from the novel strain of the coronavirus known as SARS-CoV-2 which is responsible for the coronavirus disease known as COVID-19, all Nevada dispensaries were mandated as an essential service but were restricted to

delivery only, with no curbside pickup or in-store sales permitted until such delivery-only order was lifted on May 30, 2020, when the Planet 13 Superstore re-opened with no more than ten customers allowed in the store at any given time. During the delivery-only restricted operational period, the Corporation increased its delivery vehicle fleet to 29 vehicles, and upon the re-opening of the Planet 13 Superstore, the Corporation was able to meet the increased home-delivery requests by keeping 20 of those vehicles in constant operation. On March 4, 2021, Nevada announced a “Roadmap to Recovery” relaxing the restrictions in phases and a release from State-level oversight to local jurisdictions by May 2021.

7. **Curbside.** In March 2020, per executive order of Nevada’s Governor Steve Sisolak in response to the public health crisis arising from the novel strain of the coronavirus known as SARS-CoV-2 which is responsible for the coronavirus disease known as COVID-19, all Nevada dispensaries were mandated as an essential service but were restricted to delivery only, with no curbside pickup or in-store sales permitted until such delivery-only order was lifted on May 30, 2020, when the Planet 13 Superstore re-opened with no more than ten customers allowed in the store at any given time. On June 4, 2020, the State of Nevada increased the allowed occupancy of all businesses in Nevada to a maximum of 50% of the fire rated capacity of the location. The Corporation is currently adhering to the guidelines set by the State of Nevada and is able to serve 268 customers in the Planet 13 Superstore at one time under the revised capacity limits set out as of June 4, 2020. Corporation has continued to offer curbside after in-store sales were allowed, providing an additional channel for customers to access the products and services of Corporation. On March 4, 2021, Nevada announced a “Roadmap to Recovery” relaxing the restrictions in phases and a release from State-level oversight to local jurisdictions by May 2021

### *Provision of Services*

The Corporation’s services are currently provided at its Planet 13 Superstore dispensary located at 2548 West Desert Inn Rd, Las Vegas, Nevada and through home delivery through its distribution license that is currently operating out of the Planet 13 Superstore location.

### **Leases**

MMDC currently maintains the following leases:

- Lease 1: MMDC signed a five-year, triple net lease dated July 22, 2015 for its 4,750 square foot Clark County dispensary location with a rate of US\$1.75 per square foot, per month, with the right to extend for two additional terms of five years each.
- Lease 2: MMDC signed a lease starting on August 30, 2014 and ending on December 31, 2034 for the Clark County cultivation and production location, with a monthly rent of US\$9,667.67, with the right to extend for two additional terms of five years each. MMDC also entered into a sub-lease at that facility for an additional, approximately 2,000 square feet from the neighbouring tenant, with a termination date of December 31, 2034. The landlord was initially an entity owned by Mr. Larry Scheffler, co-Chief Executive Officer of the Corporation. That entity subsequently sold the building effective September 26, 2018 and the new owner, an arm’s length party, has assumed all the obligations of the former landlord under the terms of the lease.
- Lease 3: MMDC signed a lease dated April 23, 2018 in respect of the Planet 13 Superstore location (the “**Planet 13 Superstore Lease**”) for approximately 112,663 square feet of office and warehouse space located at 2548 West Desert Inn Road, Las Vegas, Nevada, on a 9.14 acre parcel for a term of seven years, starting at a base rent of US\$0.20 per square foot, per month, and rising to US\$0.824 per square foot, per month for the last year of the initial seven year term. MMDC has the right to extend the lease for two additional terms of seven years each.
- Lease 4: MMDC signed a lease dated April 1, 2019 in respect of certain premises located next to the Planet 13 Superstore consisting of a 3,378 square foot building (“**Building 2**”), 32,400 square foot of land immediately adjacent to such building and a license for use of approximately 4.17 acres of land situated

immediately adjacent and north of Building 2. The lease is for a term of six years and five months, starting with a base rent of US\$8,000 per month for months one to three and US\$12,000 per month for months four to 17. MMDC has the right to extend the lease for two additional terms of seven years each. MMDC intends to use Building 2 for general office, warehouse and services use, and the remaining land as parking space that it expects it will need to accommodate the Corporation's growth plans with respect to the Planet 13 Superstore.

- Lease 5: BLC Management Company, LLC assumed a lease from Warner Management Company at the closing of the Santa Ana Acquisition on May 20, 2020, for 16,263 square feet of office and warehouse space located at 3400 Warner Ave., Units, F, F-2, G and H, commencing December 1, 2018. The lease is for a term of eleven years and six months with a base rent of US\$2.00 per square foot, and includes four five-year options to renew. That lease has been subsequently amended to include Units A through H for the retail facility under construction and Units K-M for the distribution facility currently under construction. The lease includes a tenant improvement allowance at US\$25.00 per square foot of improvement, and a roof repair/replacement contribution allowance capped at US\$112,000.
- Lease 6: On November 25, 2020, MMDC entered into an assignment and assumption agreement with WCDN and RX Land pursuant to which WCDN assigned to MMDC all of WCDN's right, title and interest under the Initial West Bell Lease, which lease agreement was subsequently amended pursuant to an amendment to lease entered into between MMDC and RX Land on November 27, 2020 (the "**Amended West Bell Lease**" and, together with the Initial West Bell Lease, the "**West Bell Lease**"). The West Bell Lease is for a term of 15 years, at a base rent of US\$1.66 per square foot, subject to further annual rate increases of 3%, with MMDC having the right to extend the lease for two additional terms of five years each.. MMDC is using the space for licensed cultivation and production operations.

### **Specialized Skill and Knowledge Requirements**

Knowledge of aquaculture and hydroponic greenhouse cannabis grows are integral to the Corporation's operations since the Corporation seeks to leverage aquaculture and hydroponics in producing its products. The Corporation currently employs several key personnel with knowledge of aquaculture and hydroponic greenhouse cannabis grows. In particular, the Corporation's proprietary cultivation and production processes are overseen by the Corporation's Vice-President of Operations, Chris Wren who possesses more than 16 years of cannabis industry experience. Mr. Wren is an internationally recognized cannabis horticulturist and has won several awards for his cultivation efforts, including first place in the 2015 International Cannagraphic Growers Cup.

On March 1, 2017, MMDC hired Stephen Markle as Director of Infused Products to spearhead the development, and expansion of, its cannabis-infused product lines. Mr. Markle was later promoted to VP of Production on June 12, 2018. Mr. Markle possesses more than seven years of experience in creating recipes for an array of topicals such as lotions and oils. The Corporation intends to develop an array of cannabis-infused products such as oils (including cartridges for vape pens), water soluble products such as syrups, edible infused products such as chocolates and topicals such as lotions and creams. In 2018, the Corporation launched its own vape pen product line (under the Trendi brand name) and in 2019 launched Dreamland infused-chocolates, HaHa infused-gummies, and HaHa infused beverages. In December 2020, Corporation was awarded three awards at the 2020 Las Vegas Jack Herer Cup, for best sativa vape cartridge, best hybrid vape cartridge and best sativa concentrate.

In order to properly provide dispensing services, the Corporation also employs trained patient care specialists and in-house subject matter experts who are able to provide information regarding the benefits and effects of various cannabis products and provide dosage advice as well as recommendations regarding the proper method of medicating and/or recreating.

In total, the Corporation employs multiple business professionals, recruited and employed for their respective areas of functional expertise commonly found in consumer packaged goods and retail businesses, including but not limited to: finance and accounting, legal and compliance, supply chain and operations, sales and marketing, commercial and cannabis agriculture, chemists, customer service, construction and project management, real estate, and human resources.

## **Competitive Conditions**

With respect to retail operations, the Corporation competes with other retail license holders across Nevada. Many of the Corporation's competitors in the markets in which the Corporation operates, or may operate in the future, are small local operators. In addition to physical dispensaries, the Corporation also competes with third-party delivery services which provide direct-to-consumer delivery services in Nevada. In terms of cultivation and production, the Corporation competes with other licensed cultivators and operators in Nevada and other states in which it may operate in the future.

The retail market in Nevada has fewer barriers to entry and more closely reflect free market dynamics typically seen in mature retail and manufacturing industries. The growth of these markets poses a risk of increased competition. However, given the Corporation's runway as an early player in Nevada, which has historically been limited supply markets, management views the Corporation's market share as less at risk than operators without a current operating footprint.

It also is presumed that there are a number of illegally operating dispensaries and cultivators in Nevada which serve as competition to the Corporation. It is expected, however, that the majority of these illegal dispensaries and cultivators will be forced to cease operations in the near-term. See "*Risk Factors*".

## **Components**

The main raw materials and components used in the production of the Corporation's products are cannabis seeds and clones, water, plant nutrients, and electricity.

Water for the Corporation's Clark County operations is obtained from the municipal water system in Las Vegas, Nevada. The price of water is determined by the City of Las Vegas. The Corporation's Nye county operations are similarly part of the municipal water and waste disposal system.

Raw materials include soil, nutrients, organic integrated pest and disease management, environmental supplementation, disposable supplies, and other miscellaneous inputs, all of which are readily available from multiple sources at wholesale or lower prices.

## **Cycles**

There have been potential seasonal fluctuations observed in the first few years of operations at the Planet 13 Superstore, reflective of the Las Vegas market specifically, as well as industry-wide cannabis-themed holidays and events. These potential seasonal fluctuations have been interrupted by the COVID-19 pandemic, which have presented the industry and the Planet 13 Superstore with a unique set of opportunities and challenges. As at the date of this AIF, the Corporation does not know the long-term impact that the COVID-19 pandemic will have on the previously observed trends.

## **Changes to Contracts**

The Corporation is unaware of any aspect of its business that may be materially affected in the 12 months following the date of this AIF by renegotiation or termination of contracts or sub-contracts.

## **Intellectual Property**

The Corporation has applied for trademarks at Nevada state and federal level, some of which are currently pending for Medizin, Planet 13, Trendi, Leaf & Vine, HaHa, and Dreamland. These trademarks were applied for and are designed for use on clothing, wearables, and other non-cannabis products with the intent of creating a valuable brand.

## Environmental

The Corporation does not anticipate that environmental protection requirements will have a material financial or operational effect on the Corporation's capital expenditures, earnings, and competitive position in the current financial year or in future years.

## Employees

As at the date of this AIF, the Corporation had a total of 380 full-time and 90 part-time employees. Full time employees are distributed among several departments, including sales, management and administration, security, cultivation, operations, marketing, facilities, human resources, and finance, accounting and legal.

## UNITED STATES REGULATORY ENVIRONMENT

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* (“**Staff Notice 51-352**”), below is a discussion of the federal and state-level U.S. regulatory regimes in those jurisdictions where the Corporation is currently involved, directly or through its subsidiaries. The Corporation is directly engaged in the manufacture, possession, use, sale or distribution of cannabis in the retail and/or medicinal cannabis marketplace in the State of Nevada. In accordance with Staff Notice 51-352, the Corporation will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding cannabis regulation. Any non-compliance, citations or notices of violation which may have an impact on the Corporation's license, business activities or operations will be promptly disclosed by the Corporation.

**The Corporation holds assets, leases, real estate holdings, and serves its customers and patients from its cannabis facilities located in Las Vegas. The Corporation's dispensaries are approximately 16,000 and 4,750 square feet and are in full compliance with Nevada cannabis statutes and the regulations thereunder as promulgated by the Nevada Cannabis Compliance Board, which outline the State of Nevada's rules and regulations for establishing and managing medical and retail cannabis dispensaries. Through its wholly owned and controlled subsidiary MMDC, the Corporation currently cultivates and manufactures cannabis products at its cultivation and production facilities in Clark County and Nye County in Nevada. Through its wholly owned and controlled subsidiary Newtonian, the Corporation anticipates it will distribute cannabis products in and around Santa Ana, California starting on approximately July 1, 2021 and forward. The foregoing assets are held by the Corporation, and the Corporation is directly involved in the cultivation and distribution of medical and retail cannabis for the purposes of Staff Notice 51-352. As of December 31, 2020, with the exception of the Corporation's restaurant activities, all of the Corporation's assets and operations are related to U.S. cannabis related activities.**

## Federal Regulatory Environment

Under U.S. federal law, marijuana is currently categorized a Schedule I drug. The *Controlled Substances Act* (the “CSA”) has five different tiers or schedules. A Schedule I drug means the Drug Enforcement Agency (“DEA”) considers it to have a high potential for abuse, no accepted medical treatment, and lack of accepted safety for the use of it even under medical supervision. Other Schedule I drugs are heroin, LSD and ecstasy. The Corporation believes the CSA categorization as a Schedule I drug is not reflective of the medicinal properties of cannabis or the public perception thereof, and numerous studies show cannabis is not able to be abused in the same way as other Schedule I drugs, has medicinal properties, and can be safely administered. Additionally, while studies show cannabis is less harmful than alcohol<sup>1</sup>, alcohol is not classified under the CSA.

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<sup>1</sup> See Lachenmeier, DW & Rehm, J. (2015). Comparative risk assessment of alcohol, tobacco, cannabis and other illicit drugs using the margin of exposure approach. *Scientific Reports*, 5, 8126. doi: 10.1038/srep08126; Thomas, G & Davis, C. (2009). Cannabis, Tobacco and Alcohol Use in Canada: Comparing risks of harm and costs to society. *Visions Journal*, 5. Retrieved from [http://www.heretohelp.bc.ca/sites/default/files/visions\\_cannabis.pdf](http://www.heretohelp.bc.ca/sites/default/files/visions_cannabis.pdf); Jacobus et al. (2009). White matter integrity in adolescents with histories of marijuana use and binge drinking. *Neurotoxicology and Teratology*, 31, 349-355. <https://doi.org/10.1016/j.nt.2009.07.006>; Could smoking pot cut risk of head, neck cancer? (2009 August 25). Retrieved from <https://www.reuters.com/article/us-smoking-pot/could-smoking-pot-cut-risk-of-head->

Forty-eight states and the District of Columbia have now legalized adult-use and/or medical cannabis, and of the two states that have not yet authorized some form of cannabis usage, Nebraska has decriminalized the first offense. The federal government sought to provide guidance to enforcement agencies and banking institutions with the introduction of the United States Department of Justice (the “DOJ”) Memorandum drafted by former Deputy Attorney General James Michael Cole in 2013 (the “Cole Memo”)<sup>2</sup> and the Department of the Treasury Financial Crimes Enforcement Network (“FinCEN”) guidance in 2014.<sup>3</sup>

The Cole Memo offered guidance to federal enforcement agencies as to how to prioritize civil enforcement, criminal investigations and prosecutions regarding marijuana in all states. The memo put forth eight prosecution priorities: (i) preventing the distribution of marijuana to minors; (ii) preventing revenue from the sale of marijuana from going to criminal enterprises, gangs and cartels; (iii) preventing the diversion of marijuana from states where it is legal under state law in some form to other states; (iv) preventing the state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity; (v) preventing the violence and the use of firearms in the cultivation and distribution of marijuana; (vi) preventing the drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use; (vii) preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands; and (viii) preventing marijuana possession or use on federal property.

Former Attorney General Sessions also issued a one-page memorandum known as the “Sessions Memorandum”. This confirmed the rescission of the Cole Memo and explained that the Cole Memo was “unnecessary” due to existing general enforcement guidance as set forth in the U.S. Attorney’s Manual (the “USAM”). The USAM enforcement priorities, like those of the Cole Memo, are also based on the federal government’s limited resources, and include “law enforcement priorities set by the Attorney General,” the “seriousness” of the alleged crimes, the “deterrent effect of criminal prosecution,” and “the cumulative impact of particular crimes on the community.”

While the Sessions Memorandum does emphasize that marijuana is a Schedule I controlled substance and states the statutory view that it is a “dangerous drug and that marijuana activity is a serious crime,” it does not otherwise guide U.S. Attorneys that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether to prosecute marijuana-related offenses. U.S. Attorneys could individually continue to exercise their discretion in a manner similar to that displayed under the Cole Memo’s guidance. Dozens of U.S. Attorneys across the country have affirmed their commitment to proceeding in this manner, or otherwise affirming that their view of federal enforcement priorities has not changed, although a few have displayed greater ambivalence. To the knowledge of the Corporation’s management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in California or Nevada.

During his campaign, President Joseph R. Biden Jr. stated his policy goal to decriminalize possession of cannabis at the federal level but did not show support for fully legalizing marijuana. There can be no assurance as to the position any new administration may take on marijuana and a new administration could decide to enforce the federal laws strongly. Any enforcement of current federal laws could cause significant financial damage to the Corporation and its shareholders. Further, future presidential administrations may want to treat marijuana differently and potentially enforce the federal laws more aggressively.

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neck-cancer-idUSTRE57O5DC20090825; Watson, SJ, Benson JA Jr. & Joy, JE. (2000). Marijuana and medicine: assessing the science base: a summary of the 1999 Institute of Medicine report. *Arch Gen Psychiatry Review*, 57, 547-552. Retrieved from <https://www.ncbi.nlm.nih.gov/pubmed/10839332>; Hoaken, Peter N.S. & Stewart, Sherry H. (2003). Drugs of abuse and the elicitation of human aggressive behavior. *Addictive Behaviours*, 28, 1533-1554. Retrieved from <http://www.ukcia.org/research/AgressiveBehavior.pdf>; and Fals-Steward, W., Golden, J. & Schumacher, JA. (2003). Intimate partner violence and substance use: a longitudinal day-to-day examination. *Addictive Behaviors*, 28, 1555-1574. Retrieved from <https://www.ncbi.nlm.nih.gov/pubmed/14656545>.

<sup>2</sup> 9 U.S. Dept. of Justice. (2013). Memorandum for all United States Attorneys re: Guidance Regarding Marijuana Enforcement. Washington, DC: US Government Printing Office. Retrieved from <https://www.justice.gov/iso/opa/resources/3052013829132756857467.pdf>

<sup>3</sup> Department of the Treasury Financial Crimes Enforcement Network. (2014). Guidance re: BSA Expectations Regarding Marijuana-Related Businesses (FIN-2014-G001). Retrieved from <https://www.fincen.gov/resources/statutesregulations/guidance/bsa-expectations-regarding-marijuana-related-businesses>.

As an industry best practice, the Corporation continues to do the following to ensure compliance with the guidance provided by the Cole Memo:

- Ensure the operations of its subsidiaries (or third parties, in the jurisdictions where the Corporation conducts its business as an ancillary services provider) are compliant with all licensing requirements that are set forth with regards to cannabis operation by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions. To this end, the Corporation retains appropriately experienced legal counsel to conduct the necessary due diligence to ensure compliance of such operations with all applicable regulations.
- The activities relating to cannabis business adhere to the scope of the licensing obtained – for example medical cannabis products are only sold to patients who hold the necessary documentation to permit the possession of the cannabis; and cannabis for adult recreational use is only sold to individuals who meet the requisite age requirements.
- The Corporation conducts due diligence on the policies and procedures to ensure that the products are not distributed to minors. Additionally, the Corporation employs professional consultants to investigate any past license violations and ensure that the business has not been involved in these types of violations.
- As a part of its due diligence, the Corporation retains professional consultants to vet the ownership of cannabis businesses that engage in dealings with the Corporation to ensure that no profits or revenues are used for the benefit of criminal enterprises.
- As a part of its compliance audit, the Corporation also ensures that it has an adequate inventory tracking system and necessary procedures in place to ensure that such compliance system is effective in tracking inventory. This is done to ensure that there is no diversion of cannabis or cannabis products into the states where cannabis is not permitted by state law, or cross the state lines in general.
- The Corporation conducts the necessary review of financial records and where appropriate retains professional third-party consultants to do so, to ensure that the state-authorized cannabis business activity is not used as a cover or pre-text for trafficking of other illegal drugs, is engaged in other illegal activity or any activities that are contrary to any applicable anti-money laundering statutes.
- The Corporation conducts background checks to ensure that the principals and management of the licensed operators are of good character, and have not been involved with other illegal drugs, engaged in illegal activity or activities involving violence, or use of firearms in cultivation, manufacturing or distribution of cannabis.
- The Corporation conducts reviews of activities of the cannabis businesses, the premises on which they operate and the policies and procedures that are related to possession of cannabis or cannabis products outside of licensed premises (including the cases where such possession permitted by regulation – e.g. transfer of products between licensed premises). These activities are done to ensure that no licensed operators possess or use cannabis on federal property or engage in manufacturing or cultivation of cannabis on federal lands.
- The Corporation conducts reviews of products and product packaging to ensure that the products comply with applicable regulations and contain necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and prevent impaired driving.

Due to the CSA categorization of marijuana as a Schedule I drug, U.S. federal law makes it illegal for financial institutions that depend on the Federal Reserve's money transfer system to take any proceeds from marijuana sales as deposits. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses under the United States Currency and Foreign Transactions Reporting Act of 1970 (the "**Bank Secrecy Act**"). Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy.

While there has been no change in U.S. federal banking laws to account for the trend towards legalizing medical and recreational marijuana by U.S. states, FinCEN has issued guidance advising prosecutors of money laundering and other financial crimes not to focus their enforcement efforts on banks and other financial institutions that serve marijuana-related businesses, so long as that business is legal in their state and none of the federal enforcement priorities are being violated (such as keeping marijuana away from children and out of the hands of organized crime). The FinCEN guidance also clarifies how financial institutions can provide services to marijuana-related businesses consistent with their Bank Secrecy Act obligations, including thorough customer due diligence, but makes it clear that they are doing so at their own risk. The customer due diligence steps include:

- Verifying with the appropriate state authorities whether the business is duly licensed and registered.
- Reviewing the license application (and related documentation) submitted by the business for obtaining a state license to operate its marijuana-related business.
- Requesting from state licensing and enforcement authorities available information about the business and related parties.
- Developing an understanding of the normal and expected activity for the business, including the types of products to be sold and the type of customers to be served (e.g., medical versus retail customers).
- Ongoing monitoring of publicly available sources for adverse information about the business and related parties.
- Ongoing monitoring for suspicious activity, including for any of the red flags described in this guidance.
- Refreshing information obtained as part of customer due diligence on a periodic basis and commensurate with the risk. With respect to information regarding state licensure obtained in connection with such customer due diligence, a financial institution may reasonably rely on the accuracy of information provided by state licensing authorities, where states make such information available.

Due to the fear by financial institutions of being implicated in or prosecuted for money laundering, marijuana businesses are often forced into becoming “cash-only” businesses. As banks and other financial institutions in the U.S. are generally unwilling to risk a potential violation of federal law without guaranteed immunity from prosecution, most refuse to provide any kind of services to marijuana businesses. Despite the attempt by FinCEN to legitimize marijuana banking, in practice its guidance has not made banks much more willing to provide services to marijuana businesses. This is because, as described above, the current law does not guarantee banks immunity from prosecution, and it also requires banks and other financial institutions to undertake time-consuming and costly due diligence on each marijuana business they take on as a customer. Some banks that have been servicing marijuana businesses have closed accounts operated by marijuana businesses and refuse to open accounts for new marijuana businesses for the reasons enumerated above. According to FinCEN’s Marijuana Banking Update (dated September 2020), 677 depository institutions, including 175 credit unions, were providing banking services to “marijuana related businesses” as of September 30, 2020.

The U.S. Treasury Department, headed by Stephen Mnuchin, has publicly stated they were not informed of the then Attorney General Jeff Sessions’ desire to rescind the Cole Memo and do not have a desire to rescind the FinCEN guidance for financial institution.<sup>4</sup> Multiple legislators believe that Sessions’ rescinding of the Cole Memo invites an opportunity for Congress to pass more definitive protections for marijuana businesses in states with legal marijuana

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<sup>4</sup> 1 Angell, Tom. (2018 February 6). Trump Treasury Secretary Wants Marijuana Money In Banks. Retrieved from <https://www.forbes.com/sites/tomangell/2018/02/06/trump-treasury-secretary-wants-marijuana-money-in-banks/#2848046a3a53>; see also Mnuchin: Treasury is reviewing cannabis policies. (2018 February 7). Retrieved from <http://www.scotsmanguide.com/News/2018/02/Mnuchin--Treasury-is-reviewing-cannabis-policies/>.

programs during this Congress.<sup>5</sup> Furthermore, on January 15, 2019, US Attorney General William Barr stated during his confirmation hearings and to the Senate Judiciary panel that, “I do not intend to go after parties who have complied with state law in reliance on the Cole Memorandum.”<sup>6</sup>

Because the DOJ memorandums serve as discretionary agency guidance and do not constitute a force of law, cannabis related businesses and certain members of the US Legislature have worked to continually renew the Rohrabacher Blumenauer Appropriations Amendment (originally the Rohrabacher Farr Amendment) that has been included in federal annual spending bills since 2014. This amendment restricts the DOJ from using federal funds to prevent states with medical cannabis regulations from implementing laws that authorize the use, distribution, possession or cultivation of medical cannabis. In 2017, Senator Patrick Leahy (D-Vermont) introduced a parity amendment to H.R.1625 – a vehicle for the Consolidated Appropriations Act of 2018, preventing federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding (“**Leahy Amendment**”). The Leahy Amendment expired with the 2018 Fiscal Year on September 30, 2018, however, on May 17, 2018, the United States House of Representatives Appropriations Committee approved inclusion of the Rohrabacher–Farr amendment in the Commerce, Justice, Science, and Related Agencies (“**CJS**”) appropriations bill for fiscal year 2019 (H.R. 5952), in a voice vote led by sponsor Rep. David Joyce, which adds a provision to prohibit the U.S. Department of Justice from using funding to prevent states from implementing medical marijuana laws through the end of fiscal year 2019 (September 30, 2019), known as the “Joyce Amendment”.<sup>7</sup> The United States Senate Appropriations Committee followed on June 12, 2018 by approving a base CJS appropriations bill with the Joyce Amendment included (S. 3072). On December 20, 2019 the amendment was renewed through the signing of the FY 2020 omnibus spending bill, effective through September 30, 2020.

Prior to the expiration of the Rohrabacher-Leahy Amendment, the U.S. House of Representatives passed the BMNL Amendment on July 30, 2020, which restricts the United States Department of Justice from investigating or prosecuting conduct and commerce related to both state medical marijuana and adult-use marijuana programs. In late-2020, the BMNL Amendment was renewed through a series of stopgap spending bills on October 1, December 11, December 18, December 20, and December 22. On December 27, 2020, the BMNL Amendment was renewed through the signing of the FY 2021 omnibus spending bill, effective through September 30, 2021. While the U.S. House of Representatives passed the BMNL Amendment, there can be no certainty that Congressional support for the BMNL Amendment will continue after the September 30, 2021 expiration, and after that date there can be no assurance that the federal government will not seek to prosecute cases including medical and adult-use cannabis businesses that are otherwise compliant with State law.

The much relied on appropriations protecting the medical cannabis industry was renewed in both the House and Senate versions of the 2019 Fiscal Year Appropriations bills, with the expectation that the language will be enacted in the final 2019 Fiscal Year Appropriations Bill. However, it should be noted that there is no assurance that the final 2019 Fiscal Year Appropriations Bill will include appropriations protecting the medical cannabis industry.

Since 2014, Congress has made immense strides in marijuana policy. The bipartisan Congressional Cannabis Caucus launched in 2017 and is headed by Representatives Dana Rohrabacher (CA-48), Earl Blumenauer (OR-03), Don Young (AK-At Large), and Jared Polis (CO-02). The group is “dedicated to developing policy reforms that bridge the gap between federal laws banning marijuana and the laws in an ever-growing number of states that have legalized it for medical or recreational purposes”.<sup>8</sup> Additionally, each year more Representatives and Senators sign on and co-sponsor marijuana legalization bills including the CARERS Act, REFER Act and others. While there are different perspectives on the most effective route to end federal marijuana prohibition, Congressman Blumenauer and Senator

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<sup>5</sup> Jackson, Chere. (2018 January 30). State-by-State Analysis of Sessions Move to Rescind Cole Memo. Retrieved from <http://guardianlv.com/2018/01/state-state-analysis-sessions-move-rescind-cole-memo/>; see also Velasquez, Josefa. (2018 January 23). NY Lawmaker Asks US Attorneys to Keep Hands Off State’s Med Marijuana Programs. Retrieved from <https://www.law.com/newyorklawjournal/sites/newyorklawjournal/2018/01/22/ny-lawmaker-asks-us-attorneys-to-keep-handsoff-states-med-marijuana-programs/?sreturn=20180205182803>; see also “This is Outrageous”: Politicians react to news that A.G. Sessions is rescinding Cole Memo. (January 4 2018). Retrieved from <https://www.thecannabist.co/2018/01/04/sessionsmarijuana-cole-memo-politicians/95890/>.

<sup>6</sup> <https://www.judiciary.senate.gov/imo/media/doc/Barr%20Responses%20to%20QFRs.pdf>

<sup>7</sup> <https://mjbizdaily.com/powerful-congressional-panel-puts-medical-marijuana-protections-in-federal-budget/>.

<sup>8</sup> Huddleston, Tom Jr. (2017 February 17). Pro-Pot Lawmakers Launch a Congressional Cannabis Caucus. Retrieved from <http://fortune.com/2017/02/16/congress-cannabis-caucus/>.

Wyden introduced the three-bill package, Path to Marijuana Reform which would fix Section 280E of the United States Internal Revenue Code of 1986, as amended (the “Code”), eliminate civil asset forfeiture and federal criminal penalties for businesses complying with state law, reduce barriers to banking, and would de-schedule, tax and regulate marijuana in 2017.<sup>9</sup> Senator Booker has also introduced the Marijuana Justice Act, which would de-schedule marijuana, and in 2018 Congresswoman Barbara Lee introduced the House companion.

Additionally, on June 7, 2018, the STATES Act was introduced in the Senate by Republican Senator Cory Gardner of Colorado and Democratic Senator Elizabeth Warren of Massachusetts. A companion bill was introduced in the House by Democratic representative Jared Polis of Colorado. The bill provides in relevant part that the provisions of the CSA, as applied to marijuana, “shall not apply to any person acting in compliance with state law relating to the manufacture, production, possession, distribution, dispensation, administration, or delivery of marihuana.” Even though marijuana will remain within Schedule I under the STATES Act, it makes the CSA unenforceable to the extent it is in conflict with state law. In essence, the bill extends the limitations afforded by the Rohrabacher-Blumenauer protection within the federal budget – which prevents the Department of Justice and the DEA from using funds to enforce federal law against state-legal medical cannabis commercial activity – to both medical and recreational cannabis activity in all states where it has been legalized. By allowing continued prohibition to be a choice by the individual states, the STATES Act does not fully legalize cannabis on a national level. In that respect, the bill emphasizes states’ rights under the Tenth Amendment, which provides that “the powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people. “

Notwithstanding the foregoing, there is no guarantee that the current presidential administration will not change the stated policy of the previous administration regarding the low-priority enforcement of U.S. federal laws that conflict with state laws. The Biden administration and Congress could decide to enforce U.S. federal laws vigorously. Accordingly, there are a number of significant risks associated with the business of the Corporation and unless and until the United States Congress amends the CSA with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a significant risk that federal authorities may enforce current federal law, and the business of the Corporation may be deemed to be producing, cultivating, extracting, or dispensing cannabis or aiding or abetting or otherwise engaging in a conspiracy to commit such acts in violation of federal law in the United States.

An additional challenge to cannabis-related businesses is that the provisions of the Code, Section 280E, are being applied by the United States Internal Revenue Service (“IRS”) to businesses operating in the medical and adult use cannabis industry. Section 280E of the Code prohibits cannabis businesses from deducting their ordinary and necessary business expenses, forcing them to pay higher effective federal tax rates than similar companies in other industries. The effective tax rate on a cannabis business depends on how large its ratio of non-deductible expenses is to its total revenues. Therefore, businesses in the legal cannabis industry may be less profitable than they would otherwise be.

Another aspect of federal law is that it provides that cannabis and cannabis products may not be transported across state lines in the United States. As a result all cannabis consumed in a state must be grown and produced in that same state. This dynamic could make it more difficult for the Corporation, in the short term, to maintain a balance between supply and demand. If excess cultivation and production capacity is created in any given state and this is not matched by increased demand in that state then this could exert downward pressure on the retail price for the products the Corporation sells. If too many retail licenses are offered by state authorities in any given state then this could result in increased competition and exert downward pressure on the retail price for the products the Corporation sells. On the other hand, if cultivation and production in a state fails to match growing demand then, in the short term, there could be insufficient supply of product in a state to meet demand and while the Corporation may be able to raise its prices there could be inadequate product availability in the short term, causing the Corporation’s revenue in that state to fall.

The following sections describe the legal and regulatory landscape in the state of Nevada. The Corporation’s operations are in full compliance with all applicable laws, regulations and licensing requirements in the State of Nevada. Nonetheless, for the reasons described above and the risks further described under the heading “*Risk Factors*”

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<sup>9</sup> Wyden, Blumenauer. (2017 March 30). Wyden, Blumenauer announce bipartisan path to marijuana reform. Retrieved from <https://blumenauer.house.gov/media-center/press-releases/wyden-blumenauer-announce-bipartisan-path-marijuana-reform>.

herein, there are significant risks associated with the business of the Corporation. Readers are strongly encouraged to carefully read all of the risk factors contained under the heading “*Risk Factors*” herein.

## **Nevada**

### ***Nevada Regulatory Landscape***

In 2000, Nevada voters passed a medical marijuana initiative allowing physicians to recommend cannabis for an inclusive set of qualifying conditions including chronic pain and created a limited non-commercial medical marijuana patient/caregiver system. Senate Bill 374, which passed the legislature and was signed by the Nevada Governor in 2013, expanded this program and established a for-profit regulated medical marijuana industry.

In 2014, Nevada accepted medical marijuana business applications and a few months later the Division approved 182 cultivation licenses, 118 licenses for the production of edibles and infused products, 17 independent testing laboratories, and 55 medical marijuana dispensary licenses. The number of dispensary licenses was then increased to 66 by legislative action in 2015. The application process was merit-based, competitive, and is currently closed.

Nevada has a medical marijuana program and passed an adult-use legalization through the ballot box in November 2016. Under Nevada’s adult-use marijuana law, the state licensed marijuana cultivation facilities, product manufacturing facilities, distributors, retail stores and testing facilities. For the first 18 months after legalization, applications to the Department for adult-use establishment licenses were only accepted from existing medical marijuana establishments and from existing liquor distributors for the adult-use distribution license. The Nevada Division of Public and Behavioral Health (the “Division”) licensed and regulated medical marijuana establishments up until July 1, 2017 when the state’s medical marijuana program merged with adult-use marijuana enforcement under the DOT. After merging medical and adult-use marijuana regulation and enforcement, the single regulatory agency was known as the “Marijuana Enforcement Division of the Department of Taxation”. The DOT oversaw regulation of cannabis operations until the CCB took over on July 1, 2020. As of October 5, 2020, all five members of the CCB have been appointed by the Nevada Governor.

In February 2017, the state announced plans to issue “early start” recreational marijuana establishment licenses in the summer of 2017. These licenses expired at the end of the year and, beginning on July 1, 2017, allowed marijuana establishments holding both a retail marijuana store and dispensary license to sell their existing medical marijuana inventory as either medical or adult-use marijuana. All cannabis cultivated, and infused products produced under the adult-use program that were not existing inventory at a medical marijuana dispensary were transported to retail marijuana stores utilizing a licensed retail marijuana distributor. Starting on July 1, 2017, medical and adult-use marijuana became subject to a 15% excise tax on the first wholesale sale (calculated on the fair market value) and adult-use cannabis is subject to an additional 10% special retail marijuana sales tax in addition to any general state and local sales and use taxes.

The regular retail marijuana program began in early 2018. The Regulation and Taxation of Marijuana Act specifies that, for the first 18 months of the program, only existing medical marijuana establishment certificate holders could apply for a retail marijuana establishment license. As that restriction expired in November 2018, on December 5, 2018, DOT expanded the application process and awarded an additional 61 licenses for retail marijuana dispensaries in Nevada. The regular program was governed by permanent regulations found in Nevada Administrative Code Sections 453A and 453D through June 30, 2020.

In early 2019, Nevada legislature passed Nevada Assembly Bill 533 (“AB533”), which authorized the formation of the CCB to be vested with the authority to license and regulate persons and establishments engaged in cannabis activities within Nevada and promulgated statutes which will replace Nevada Revised Statute (“NRS”) 453A and 453D effective on July 1, 2020. Those statutes are currently codified at NRS 678A, B, C and D. On July 21, 2020, the CCB adopted final Nevada Cannabis Compliance Regulations 1 through 15 (or, “NCCR”) which are substantially similar to the former Nevada Administrative Code Sections 453A and 453D.

In response to industry feedback, on October 20, 2020 the CCB amended NCCR 5 to give clarity regarding public company ownership of Nevada cannabis companies. Generally, those amendments include such companies being required to provide to the CCB notice of annual general meetings of shareholders and a non-objecting beneficial owners (“NOBO”) list as of the record date of each such meeting, and disclosure of any stockholders having 5% or

greater ownership interest or that are able to exert control over a Nevada marijuana establishment. Additionally, the CCB requires an updated list of all beneficial owners, regardless of amount or type of ownership, but if a list of all beneficial owners cannot be obtained through reasonable cost and/or effort, the publicly traded company must provide an updated NOBO list as of the annual meeting record date, and explain why it cannot provide a list of all beneficial owners through reasonable cost and effort.

The recent CCB amendments to NCCR 5 are expected to have a minimal impact on the Corporation. The amendments were enacted by the CCB to balance its mandate to conduct background checks on individuals having an ownership interest in cannabis establishments, with the CCB-acknowledged impossibility for publicly traded companies holding Nevada cannabis establishments to meet this requirement at all times and for all stockholders, objecting and non-objecting. The CCB has been informed previously by the Corporation that it is unreasonable in cost and effort, and in fact impossible, to obtain a list of objecting beneficial owners of the Corporation, and thus the Corporation would be unable to provide such information to the CCB. The CCB acceded to this point as it would be unreasonable to impose such a requirement on the Corporation. Other than for this requirement, the Corporation will comply with the requirements of the amended NCCR 5.

Nevada does not have any U.S. residency requirements with respect to license ownership, but does require background checks of all individuals having an ownership interest. Background checks are waivable for individuals having less than 5% ownership interest, and the Corporation has submitted waiver requests to the state for all ownership interests <5%. In addition, vertical integration is neither required nor prohibited. All medical marijuana sales are made subject to the recipient holding a registry identification card issued by the State of Nevada as defined at NRS 678A. 235. The Corporation is permitted to sell medical marijuana products to non-Nevada patients as non-Nevada patients are permitted reciprocity under NRS 678C.470.

There are five types of retail marijuana establishment licenses:

Cultivation Facility – Licenses to cultivate (grow), process, and package marijuana; to have marijuana tested by a testing facility; and to sell marijuana to retail marijuana stores, to marijuana product manufacturing facilities, and to other cultivation facilities, but not to consumers.

Distributor - Licenses to transport marijuana from a marijuana establishment to another marijuana establishment.

Product Manufacturing Facility - Licenses to purchase marijuana; manufacture, process, and package marijuana and marijuana products; and sell marijuana and marijuana products to other product manufacturing facilities and to retail marijuana stores, but not to consumers.

Testing Facility - Licenses to test marijuana and marijuana products, including for potency and contaminants.

Retail Store - Licenses to purchase marijuana from cultivation facilities, marijuana and marijuana products from product manufacturing facilities, and marijuana from other retail stores; can sell marijuana and marijuana products to consumers.

MMDC applied for and did not receive any of the 61 new licenses granted by DOT on December 5, 2018. Upon review of this result, the Corporation determined that there were significant irregularities in the license application and review process. MMDC filed a complaint against the State of Nevada and DOT on December 10, 2018, and concurrently pursued all available administrative remedies (the “**DOT License Matter**”). MMDC requested a judicial review of the license application process and the scoring criteria utilized by DOT, and requested that the court award MMDC monetary damages as a result of DOT’s failure to properly award licenses and that the court award retail dispensary licenses to MMDC. As of August 23, 2019, as a result of discrepancies discovered in the application process administered by the State of Nevada, a court issued a partial preliminary injunction against the State of Nevada from moving forward with the numerous holders of provisional licenses awarded under the December 5, 2018 provisional license awards.

After the first week of trial in July 2020, MMDC entered into a settlement agreement with the State of Nevada, and defendants in intervention to receive a license in unincorporated Clark County to reopen the Medizin location. On July 31, 2020, the Nevada Tax Commission convened and approved the signed Nevada License Settlement and requested that the CCB, which had authority over Nevada-licensed cannabis businesses as of July 1, 2020, also

convene and approve the settlement. On August 7, 2020, the CCB convened and approved the Nevada License Settlement. Pursuant to the Nevada License Settlement, the Corporation’s subsidiary MMDC agreed to a release and waiver of its claims against the State of Nevada and the defendants in intervention, in return for MMDC receiving the provisional unincorporated Clark County adult-use dispensary license originally received by Nevada Organic Remedies in December, 2018. Pursuant to a letter dated September 3, 2020, the CCB transferred the conditional Clark County dispensary license to MMDC. On November 20, 2020, the Corporation opened the Medizin store location, having received CCB final inspection approvals and a Clark County business license.

The Corporation is licensed to operate in the State of Nevada as a Retail and Medical Cultivator, a Retail and Medical Product Manufacturer and a Retail and Medical Dispensary. In the State of Nevada, “Retail” refers to the recreational cannabis market. Please see Table 1 below for a list of the licenses issued to the Corporation in respect of its operations in Nevada. Under applicable laws, the licenses permit the Corporation to cultivate, manufacture, process, package, sell, and purchase marijuana pursuant to the terms of the licenses, which were formerly issued by the Nevada State Department of Taxation (“DOT”) under the provisions of Nevada Revised Statutes section 453A through June 30, 2020 and issued by the CCB under NRS 678A, B and D starting July 1, 2020. All licenses are independently issued for each approved activity for use at the Corporation’s facilities and retail locations in Nevada.

All marijuana establishments must register with CCB. If applications contain all required information and after vetting by officers, establishments are issued a marijuana establishment registration certificate. In a local governmental jurisdiction that issues business licenses, the issuance by CCB of a marijuana establishment registration certificate is considered provisional until the local government has issued a business license for operation and the establishment is in compliance with all applicable local governmental ordinances. Final registration certificates are valid for a period of one year and are subject to annual renewals after required fees are paid and the business remains in good standing. It is important to note conditional licenses do not permit the operation of any commercial or medical cannabis activity. Only after a conditional licensee has gone through necessary state and local inspections, if applicable, and has received a final registration certificate from the CCB may an entity engage in cannabis business operation. The CCB limits application for retail licenses.

Table 1: Nevada Licenses

Holding Entity	Permit/License	Jurisdiction	Expiration/Renewal Date	Description
MMDC	Medical/Retail	Clark County	June 30, 2021	Dispensary
MMDC	Retail	Clark County	November 30, 2021	Dispensary
MMDC	Medical/Retail	Clark County	June 30, 2021	Cultivation
MMDC	Medical/Retail	Clark County	June 30, 2021	Production
MMDC	Medical/Retail	Nye County	June 30, 2021	Cultivation
MMDC	Medical/Retail	Clark County	June 30, 2021	Cultivation
MMDC	Medical/Retail	Clark County	June 30, 2021	Production
MMDC	Medical	Nye County	June 30, 2021	Production
MMDC	Retail	Nye County	December 31, 2021	Production
MMDC	Distribution	Nevada	March 31, 2021	Distribution
MMDC	Distribution	Nevada	TBD	Distribution <sup>1</sup>

**Notes:**

- (1) Transferred from WCDN to MMDC as being associated with the former WCDN cultivation and production facility, approved by CCB hearing on December 18, 2020, as confirmed in CCB letter dated January 4, 2021. This is a conditional permit, and no certificate will be available until receipt of a final inspection by the CCB on or prior to February 5, 2022.

**California**

**California Regulatory Overview**

In 1996, California was the first state to legalize medical marijuana through Proposition 215, the Compassionate Use Act of 1996. This legalized the use, possession and cultivation of medical marijuana by patients with a physician recommendation for treatment of cancer, anorexia, AIDS, chronic pain, spasticity, glaucoma, arthritis, migraine, or any other illness for which marijuana provides relief.

In 2003, Senate Bill 420 was signed into law establishing an optional identification card system for medical marijuana patients. In September 2015, the California legislature passed three bills collectively known as the Medical Cannabis Regulation and Safety Act (“MCRSA”). The MCRSA established a licensing and regulatory framework for medical marijuana businesses in California. The system created multiple license types for dispensaries, infused products manufacturers, cultivation facilities, testing laboratories, transportation companies, and distributors. Edible infused product manufacturers would require either volatile solvent or non-volatile solvent manufacturing licenses depending on their specific extraction methodology. Multiple agencies would oversee different aspects of the program and businesses would require a state license and local approval to operate. However in November 2016, voters in California overwhelmingly passed Proposition 64, the Adult-Use of Marijuana Act (“AUMA”) creating an adult-use marijuana program for adults 21 years of age or older. AUMA had some conflicting provisions with MCRSA, so in June 2017, the California State Legislature passed Senate Bill No. 94, known as Medicinal and Adult-Use Cannabis Regulation and Safety Act (“MAUCRSA”), which amalgamates MCRSA and AUMA to provide a set of regulations to govern a medical and adult-use licensing regime for cannabis businesses in the State of California. The four agencies that regulate marijuana at the state level are the Bureau of Cannabis Control (“BCC”), California Department of Food and Agriculture, California Department of Public Health, and California Department of Tax and Fee Administration.

MAUCRSA came into effect on January 1, 2018. One of the central features of MAUCRSA is known as “local control.” In order to legally operate a medical or adult-use marijuana business in California, an operator must have both a local and state license. This requires license holders to operate in cities or counties with marijuana licensing programs. Cities and counties in California are allowed to determine the number of licenses they will issue to marijuana operators, or can choose to outright ban marijuana.

The Corporation (through Newtonian) is in compliance with applicable licensing requirements and the regulatory framework enacted by the State of California.

State cannabis licenses in California must be renewed annually. Depending on the jurisdiction, the Corporation's local authorizations must generally be renewed annually as well. Each year, licensees are required to submit a renewal application per State cannabis regulatory guidelines. Provided renewal applications are submitted in a timely manner, the Corporation can expect the renewals to be granted in the ordinary course of business.

On January 10, 2020, the three commercial cannabis licensing agencies in California, the Bureau of Cannabis Control, the Department of Food and Agriculture, and the Department of Public Health (collectively, “California Licensing Agencies”) announced that California Governor Gavin Newsom’s budget proposal for cannabis industry regulation and taxation included plans to consolidate the three licensing entities that are currently housed at the California Licensing Agencies into a single Department of Cannabis Control by July 2021. Per the announcement, the “Establishment of a standalone department with an enforcement arm will centralize and align critical areas to build a successful legal cannabis market, by creating a single point of contact for cannabis licensees and local governments. The Administration will provide more details on this proposal in spring 2020.”

The announcement also included a proposal for tax simplification by moving the point of collection from the responsibility for the cultivation excise tax from the final distributor to the first, and for the retail excise tax from the distributor to the retailer. Per a May 15, 2020 Summary of Governor Gavin Newsom’s May Budget Revision for the 2020-21 Fiscal Year (the “May Revision”) provided by the California Cannabis Industry Association, the Governor’s May budget revision postponed agency consolidation as a result of the COVID-19 pandemic to the 2021-22 fiscal year budget.

Considering the delayed cannabis consolidation effort, the May Revision maintains funding for licensing and enforcement activities within the existing licensing entities, with some modifications. When asked whether anything would be proposed relative to agency consolidation in the 2020 legislative year, Nicole Elliott (Senior Advisor on Cannabis, Governor Gavin Newsom) suggested that uniform licensing protocols and regulatory clean-up were under consideration and could be part of a short-term, as well as a longer term strategy. Additionally, the tax simplification for cannabis has been postponed until 2021.

### **California On-Site Consumption**

MAUCRSA allows local municipalities and jurisdictions to authorize the on-site consumption of cannabis by state-licensed retailers and/or microbusinesses. If a city or county permits it, retailers and microbusinesses can have on-site consumption if: (i) access to the area where cannabis consumption is allowed is restricted to persons 21 years of age and

older, (ii) cannabis consumption is not visible from any public place or nonage-restricted area, and (iii) the sale or consumption of alcohol or tobacco is not allowed on the premises.

The City of Santa Ana is silent on on-site consumption and does not explicitly prohibit cannabis lounges and on-site consumption by licensees. Santa Ana does prohibit the on-site sales of alcohol or tobacco products, (excluding rolling papers and lighters) and no on-site consumption of food, alcohol or tobacco by patrons. Currently, on-site consumption is permitted in various forms in the City of West Hollywood, San Francisco, City of Oakland, City of Alameda and Palm Springs.

### **California Licenses**

On May 20, 2020, pursuant to the Santa Ana Acquisition, the Corporation acquired a 100% interest in Newtonian which holds the California Adult-Use Provisional Retailer License having an expiry/renewal date of April 17, 2021, permitting it to sell cannabis goods to customers at the Santa Ana Premise. On March 11, 2021, the California Adult-Use Provisional Retailer License was renewed through April 17, 2022. Newtonian also holds the Santa Ana Permit (with an expiry/renewal date of April 30, 2021) for the Santa Ana Premise. The Corporation currently conducts no operations in the State of California through its recently acquired wholly-owned subsidiary, Newtonian, or otherwise. The Corporation will commence retail sales operations under the California License and the Santa Ana permit upon completion of the Corporation's planned facility build-out and expansion of the Santa Ana Premise. On September 25, 2020, Newtonian received a Regulatory Safety Permit Phase 1 approval from the City of Santa Ana for distribution activities at the Santa Ana Premise. Newtonian has applied for permits and is pursuing RSP/Phase 2 approvals, upon receipt of which Newtonian will apply for California-state licensing for distribution activities, targeted to be received in or around May 2021, prior to retail operations commencement at the Santa Ana Premise.

### ***License and Regulations***

In the States of Nevada and California, only cannabis that is grown/produced in the state by a licensed establishment may be sold in the state. Although Nevada is not a vertically integrated system, the Corporation is vertically integrated and has the capabilities to cultivate, harvest, process and sell/dispense/deliver cannabis and cannabis products. Both Nevada and California allow the wholesale purchase of cannabis from another licensed entity within the state.

Retail dispensary licenses and registration certificates permit holders to purchase cannabis from cultivation facilities, cannabis and cannabis products from product manufacturing facilities and cannabis from other retail stores and allow the sale of cannabis and cannabis products to consumers.

Retail and Medical cultivation licenses permit holders to acquire, possess, cultivate, deliver, transfer, have tested, transport, supply or sell cannabis and related supplies to cannabis dispensaries, facilities for the production of edible cannabis products and/or cannabis-infused products, or other cannabis cultivation facilities.

Retail and Medical product manufacturing licenses permit holders to acquire, possess, manufacture, deliver, transfer, transport, supply, or sell edible cannabis products or cannabis infused products to other cannabis production facilities or cannabis dispensaries.

### ***Reporting Requirements***

Both California and Nevada have selected Franwell Inc.'s METRC solution ("METRC") as the state's track-and-trace system used to track commercial cannabis activity and movement across the distribution chain ("seed-to-sale"). Individual licensees whether directly or through third-party integration systems are required to push data to the state to meet all reporting requirements. For all licensed facilities, the Corporation has designated an in-house computerized seed to sale software that integrates with METRC via an application programming interface, and captures the required data points for cultivation, manufacturing and retail as required by Nevada and California statutes and regulations.

### ***Storage and Security***

To ensure the safety and security of cannabis business premises and to maintain adequate controls against the diversion, theft, and loss of cannabis or cannabis products, the Corporation is required to do the following:

- Be an enclosed, locked facility, with appropriate entrance security;
- Trained employees in security measures and controls, emergency response protocol, confidentiality requirements, safe handling of equipment, procedures for handling products, as well as the differences in strains, methods of consumption, methods of cultivation, methods of fertilization and methods for health monitoring;
- Installed sophisticated, regulatory-compliant security equipment to deter and prevent unauthorized entrances;
- security alarm to alert local law enforcement of unauthorized breach of security;
- Implemented security procedures that;
  - restrict access of the establishment to only those persons/employees authorized to be there;
  - deter and prevent theft;
  - provide identification (badge) for those persons/employees authorized to be in the establishment;
  - prevent loitering;
  - require and explain electronic monitoring; and
  - require and explain the use of automatic or electronic notification to alert local law enforcement of an unauthorized breach of security.

### ***On-going Compliance Procedures***

The Corporation's United States legal counsel reviews, and will continue to review, from time to time, procedures referenced above in order to confirm such information and identify any deficiencies. The Corporation's licenses to dispense, cultivate and produce cannabis, as listed in the Licenses section above, are current and in good standing, including in the States of Nevada and California and is in compliance with those States' regulatory programs. To the knowledge of Corporation, the Corporation has not experienced any material non-compliance nor has it received any citations or notices of violations that would endanger the status of its licenses, or that present a risk to the business activities or operations of the Corporation.

## **UNITED STATES INDUSTRY BACKGROUND AND TRENDS**

The emergence of the legal cannabis sector in the United States, both for medical and adult use, has been rapid as more states adopt regulations for its production and sale. Today, a majority of Americans live in a state where cannabis is legal in some form and almost a quarter of the population lives in states where it is fully legalized for adult use.<sup>10</sup>

The use of cannabis and cannabis derivatives to treat or alleviate the symptoms of a wide variety of chronic conditions has been generally accepted by a majority of citizens with a growing acceptance by the medical community as well. A review of the research, published in 2015 in the Journal of the American Medical Association, found solid evidence

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<sup>10</sup> Nichols, Chris (2018). Do a majority of Americans live in states with legal marijuana. <https://www.politifact.com/california/statements/2018/apr/19/john-chiang/do-majority-americans-live-states-legal-marijuana/>

that cannabis can treat pain and muscle spasms.<sup>11</sup> The pain component is particularly important, because other studies have suggested that cannabis can replace pain patients' use of highly addictive, potentially deadly opiates.<sup>12</sup> Polls conducted throughout the United States consistently show overwhelming support for the legalization of medical cannabis, together with strong majority support for the full legalization of recreational adult-use cannabis. A Gallup poll reported in November 2020 showed that 68% of US residents support legalization of marijuana, an increase from the 64% to 66% seen in 2017 through 2019.<sup>13</sup>

According to BDS Analytics, the total US cannabis market in 2020 was \$16.135 billion. The market is forecast to increase to \$41.5 billion by 2025.<sup>14</sup>

Notwithstanding that 48 states and the District of Columbia have now legalized or decriminalized adult-use and/or medical cannabis, cannabis remains illegal under U.S. federal law with cannabis listed as a Schedule I drug under the CSA. See "*United States Regulatory Environment*" in this AIF.

Although, as of the date of this report, the Corporation only operates in the state of Nevada. Corporation anticipates it will commence operating in Santa Ana, California on or about the end of Q2 2021, and it does intend to expand into other states within the United States that have legalized cannabis use either medicinally or recreationally.

### *Nevada*

Total sales reported by licensed adult-use retail stores and medical dispensaries as reported by the BDS Analytics totalled \$820.26 million for the calendar year ended December 31, 2020, with forecasted market sales in 2021 at 1.008 billion and 2022 at 1.145 billion.<sup>15</sup> Most of the population and most tourism in Nevada is located in Clark County, which metropolitan area and cities are generally referred to as Las Vegas. Specifically, Las Vegas has historically received more than 40 million tourists a year, making it one of the most visited cities in the United States.<sup>16</sup> The Corporation believes the opportunity in Las Vegas is enhanced by the limited number of licenses available in the city and by the city's policy of offering a preference to existing license holders in obtaining additional or expanded licenses.

In March 2020, per executive order of Nevada's Governor Steve Sisolak in response to the public health crisis arising from the novel strain of the coronavirus known as SARS-CoV-2 which is responsible for the coronavirus disease known as COVID-19, all Nevada dispensaries were mandated as an essential service but were restricted to delivery only, with no curbside pickup or in-store sales permitted until such delivery-only order was lifted on May 30, 2020, when the Planet 13 Superstore re-opened with no more than ten customers allowed in the store at any given time. On June 4, 2020, the State of Nevada increased the allowed occupancy of all businesses in Nevada to a maximum of 50% of the fire rated capacity of the location. The Corporation is currently adhering to the guidelines set by the State of Nevada and is able to serve 268 customers in the Planet 13 Superstore at one time under the revised capacity limits set out as of June 4, 2020. On November 24, 2020, Governor Sisolak instituted a Nevada state-wide "pause" which limited certain industries such as gaming and restaurants to 25% capacity, but did not further restrict the 50% fire rated capacity limits imposed on cannabis establishments. The Nevada state-wide "pause" was extended on December 13, 2020, and again for an additional 30-days on January 11, 2021. On December 4, 2020, Nevada announced a COVID-19 vaccine allocation plan, and on December 14, 2020, the first shipment of vaccines were received in Nevada and began distribution under the Nevada allocation plan. On March 4, 2021, Nevada announced a "Roadmap to

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<sup>11</sup> Grant, Igor MD (2015). Medical Use of Cannabinoids. *Journal of American Medical Association*, 314: 16, 1750-1751. doi: 10.1001/jama.2015.11429.

<sup>12</sup> Bachhuber, MA, Saloner B, Cunningham CO, Barry CL. (2014). Medical Cannabis Laws and Opioid Analgesic Overdose Mortality in the United States, 1999-2010. *JAMA Intern Med.* 174(10):1668-1673. doi: 10.1001/jamainternmed.2014.4005.

<sup>13</sup> Gallup (November 9, 2020). Support for Legal Marijuana Inches Up to New High of 68%. Retrieved from <https://news.gallup.com/poll/323582/support-legal-marijuana-inches-new-high.aspx>

<sup>14</sup> New Frontier Data, US Legal Cannabis Market Projected to Double to \$41.5B by 2025. (December 2020) Retrieved from <https://www.globenewswire.com/news-release/2020/12/09/2142171/0/en/U-S-Legal-Cannabis-Market-Projected-to-Double-to-41-5B-by-2025.html#:~:text=Annual%20legal%20sales%20of%20medical,from%20%247.4%20billion%20in%202019>

<sup>15</sup> BDS Analytics, Nevada Market Dashboard report, (March 2021). Retrieved from <https://clients.bdsa.com/MarketDashboard>.

<sup>16</sup> Las Vegas Convention and Visitors Authority. (2018 July). Las Vegas Visitor Statistics. Retrieved from <https://www.lvcva.com/stats-and-facts/visitor-statistics/>; and see also Las Vegas Convention and Visitors Authority. (2018 April). Historical Las Vegas Visitor Statistics. Retrieved from [https://res.cloudinary.com/simpleview/image/upload/v1/clients/lasvegas/Historical\\_1970\\_to\\_2017\\_c6545898-1224-48cf-bff5-b08a53ce4369.pdf](https://res.cloudinary.com/simpleview/image/upload/v1/clients/lasvegas/Historical_1970_to_2017_c6545898-1224-48cf-bff5-b08a53ce4369.pdf).

Recovery” relaxing the restrictions in phases and a release from State-level oversight to local jurisdictions by May 2021.

### ***California***

Total sales reported by licensed adult-use retail stores and medical dispensaries as reported by BDS Analytics, totalled \$4.109 billion for the calendar year ended December 31, 2020, with forecasted market sales in 2021 at 4.752 billion and 2022 at 5.289 billion. California was the first state in the U.S. to legalize medical cannabis with the passage of the Compassionate Use Act in 1996. California legalized adult-use sales on Nov. 8, 2016 with the passage of Proposition 64. Under this new legal cannabis law, adult-use sales were legalized and all commercial cannabis activity, including that in the long existing medical market, became comprehensively regulated, with adult-use sales launching on Jan. 1, 2018. The new legal industry has been regulated by three separate agencies: the Bureau of Cannabis Control, which regulates retailers, distributors and testing labs; the Manufactured Cannabis Safety Branch, which regulates extractors and other manufacturers; and CalCannabis, which regulates cultivators. The high compliance costs involved with entering the fully regulated adult-use market led to major disruptions to the state’s industry, causing annual sales to drop from \$3 billion in 2017 to \$2.5 billion in 2018. California has recovered from the rough transition to a regulated market, with annual sales passing their 2017 peak to reach \$3.1 billion in 2019.<sup>17</sup>

## **RISK FACTORS**

The following discussion summarizes the principal risk factors that apply to the Corporation’s business and that may have a material adverse effect on the Corporation’s business, financial condition and results of operations, or the trading price of the Planet 13 Shares. Some of the following factors are interrelated and, consequently, readers should treat such risk factors as a whole. These risks and uncertainties are not the only ones that could affect the Corporation or the Planet 13 Shares and additional risks and uncertainties not currently known to the Corporation, or that it currently deems to be immaterial, may also impair the business, financial condition and results of operations of the Corporation and/or the value of the Planet 13 Shares. If any of the following risks or other risks occur, they could have a material adverse effect on the Corporation’s business, financial condition and results of operations and/or the value of the Planet 13 Shares. There is no assurance that any risk management steps taken by the Corporation will avoid future loss due to the occurrence of the risks described below or other unforeseen risks.

### **Risks generally related to the Corporation**

#### ***The Corporation is a developing company with limited operating history.***

As the Corporation has only recently begun to generate revenue and opened the Planet 13 Superstore on November 1, 2018, it is extremely difficult to make accurate predictions and forecasts of its finances. This is compounded by the fact that the Corporation intends to operate in the cannabis industry, which is rapidly transforming. There is no guarantee that the Corporation’s products or services will continue to be attractive to current and potential consumers.

#### ***The Corporation’s actual financial position and results of operations may differ materially from the expectations of the Corporation’s management.***

The Corporation’s actual financial position and results of operations may differ materially from management’s expectations. As a result, the Corporation’s revenue, net income and cash flow may differ materially from the Corporation’s projected revenue, net income and cash flow. The process for estimating the Corporation’s revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Corporation’s financial condition or results of operations.

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<sup>17</sup> BDS Analytics, California Market Dashboard report (March 2021), retrieved from <https://clients.bdsa.com/MarketDashboard>

***Nature of the business model.***

The primary businesses of the Corporation (directly or through one or more operating companies owned by the Corporation) is intended to be a leading cultivator and dispensary of cannabis and cannabis-infused products in the State of Nevada and other U.S. states. Because the production and sale of recreational cannabis remain illegal under federal law, it is possible that the Corporation's future suppliers (and other third-party service providers) and customers may be forced to cease activities. The U.S. federal government, through both the DEA and the IRS, has the right to actively investigate, audit and shut-down cannabis growing facilities and retailers. The U.S. federal government may also attempt to seize the Corporation's property. Any action taken by the DEA and/or the IRS to interfere with, seize, or shut down the Corporation's operations will have an adverse effect on the Corporation's business, operating results and financial condition.

If the DOJ policy was to aggressively pursue financiers or equity owners of cannabis-related business, and United States Attorneys followed such DOJ policies through pursuing prosecutions, then the Corporation could face: (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries; and (ii) the arrest of its employees, directors, officers, managers and investors, who could face charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis. Additionally, as has recently been affirmed by U.S. Customs and Border Protection, employees, directors, officers, managers and investors of the Corporation who are not U.S. citizens face the risk of being barred from entry into the United States for life. **This risk factor concerning the nature of the Corporation's business model is of a general nature only, is not exhaustive of all possible legal considerations and is not intended to be, nor should it be construed to be, legal advice to any particular reader. Accordingly, readers should consult their own legal advisors with respect to their particular circumstances.**

***Probable lack of business diversification.***

Because the Corporation is initially focused solely on developing its cannabis business, the prospects for the Corporation's success will be dependent upon the future performance and market acceptance of the Corporation's intended facilities, products, processes, and services. Unlike certain entities that have the resources to develop and explore numerous product lines, operating in multiple industries or multiple areas of a single industry, the Corporation does not anticipate the ability to immediately diversify or benefit from the possible spreading of risks or offsetting of losses. Again, the prospects for the Corporation's success may become dependent upon the development or market acceptance of a very limited number of facilities, products, processes or services.

***The Corporation faces competition from other companies where it will conduct business that may have higher capitalization, more experienced management or may be more mature as a business.***

Many other businesses in the State of Nevada, the State of California and elsewhere in the United States engage in similar activities to the Corporation. An increase in the companies competing in this industry could limit the ability of the Corporation to expand its operations. Current and new competitors may have better capitalization, a longer operating history, more expertise and be able to develop higher quality equipment or products, at the same or a lower cost. The Corporation cannot provide assurances that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Corporation could have a material adverse effect on its business, operating results and financial condition.

***Unfavourable publicity or consumer perception.***

The Corporation believes the medical and recreational cannabis industries are highly dependent upon consumer perception regarding the safety, efficacy and quality of cannabis distributed to such consumers. Consumer perception of the Corporation's products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis or derivative products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical or recreational cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings,

litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Corporation's products and the business, results of operations, financial condition and cash flows of the Corporation. The Corporation's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Corporation, the demand for the Corporation's products, and the Corporation's business, results of operations, financial condition and cash flows. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or the Corporation's products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed. Public opinion and support for medical and recreational cannabis has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult- use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical cannabis as opposed to legalization in general).

***The Corporation expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance and operations.***

The Corporation expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Corporation's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Corporation's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Corporation. The Corporation's efforts to grow its business may be costlier than the Corporation expects, and the Corporation may not be able to increase its revenue enough to offset its higher operating expenses. The Corporation may incur significant losses in the future for a number of reasons, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If the Corporation is unable to achieve and sustain profitability, the market price of the Planet 13 Shares may significantly decrease.

***Reliance on limited jurisdictions.***

To date, the Corporation's activities and resources have been primarily focused within the State of Nevada and the State of California. The Corporation expects to continue the focus on this state as it continues to review further expansion opportunities into other jurisdictions in the United States. Adverse changes or developments within Nevada or California could have a material and adverse effect on the Corporation's ability to continue producing cannabis, its business, financial condition and prospects.

***Development of the business of the Corporation.***

The development of the business of the Corporation and its ability to execute on its expansion opportunities described herein will depend, in part, upon the amount of additional financing available. Failure to obtain sufficient financing may result in delaying, scaling back, eliminating or indefinitely postponing expansion opportunities and the business of the Corporation's current or future operations. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be acceptable. In addition, there can be no assurance that future financing can be obtained without substantial dilution to existing shareholders.

The Corporation believes the Planet 13 Superstore will result in long-term strategic benefits for the Corporation. However, there is a risk that some or all of the anticipated strategic and financial benefits of the dispensary and planned Phase II expansion of the Planet 13 Superstore facility may fail to materialize, may not continue on their existing terms, or may not occur within the time period anticipated by the Corporation. Although the Corporation has conducted due diligence with respect to material aspects of the development of its business, there is no certainty that the Corporation's due diligence procedures will reveal all of the risks and liabilities associated with its current plans.

Although the Corporation is not aware of any specific liabilities, such liabilities may be unknown and accordingly the potential monetary cost of such liability is also unknown.

***Ability to Access Public and Private Capital***

The Corporation is expected to continue to have robust access to equity and debt financing from the public and prospectus exempt (private placement) markets in Canada. If such equity and/or debt financing is no longer available in the public markets in Canada due to changes in applicable law, then the Corporation expects that it would have access to raise equity and/or debt financing privately.

Commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. However, there are increasing numbers of high-net-worth individuals and family offices that have made meaningful investments in companies and projects similar to the Corporation's projects. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants. There can be no assurance that additional financing, if raised privately, will be available to the Corporation when needed or on terms which are acceptable. The inability of the Corporation to raise financing, if, as, or when required, to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

***There is no assurance that the Corporation will be profitable or pay dividends.***

There is no assurance as to whether the Corporation will achieve profitability or pay dividends. The Corporation has incurred and anticipates that it will continue to incur substantial expenses relating to the development and initial operations of its business. The payment and amount of any future dividends will depend upon, among other things, the Corporation's results of operations, cash flow, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends. In the event that any of the Corporation's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Corporation to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

***The Corporation may not be able to effectively manage its growth and operations, which could materially and adversely affect its business.***

If the Corporation implements its business plan as intended, it may in the future experience rapid growth and development in a relatively short period of time. The management of this growth will require, among other things, continued development of the Corporation's financial and management controls and management information systems, stringent control of costs, the ability to attract and retain qualified management personnel and the training of new personnel. The Corporation intends to utilize outsourced resources, and hire additional personnel, to manage its expected growth and expansion. Failure to successfully manage its possible growth and development could have a material adverse effect on the Corporation's business and the value of the Planet 13 Shares.

***Risks inherent in an agricultural business.***

The Corporation's business involves the growing of cannabis, an agricultural product. As such, there are many similar risks as with any agricultural commodity, such as fluctuations in pricing. The Corporation will be subject to other risks inherent in the agricultural business, such as insects, plant diseases and similar cultivation risks. Although the Corporation expects that any such growing will be completed under climate-controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

### ***Energy costs.***

The Corporation's growing operations will consume considerable energy, which make the Corporation vulnerable to the State of Nevada's energy costs. Accordingly, rising or volatile energy costs may, in the future, adversely impact the business of the Corporation and its ability to operate profitably.

### ***Research and Market Development.***

Although the Corporation is committed to researching and developing new markets and products and improving existing products, there can be no assurances that such research and market development activities will prove profitable or that the resulting markets and/or products, if any, will be commercially viable or successfully produced and marketed.

The Corporation must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical and adult-use cannabis industry in the State of Nevada.

The Corporation is operating its business in a relatively new medical and adult-use cannabis industry and market. Accordingly, there are no assurances that this industry and market will continue to exist or grow as currently estimated or anticipated, or function and evolve in a manner consistent with management's expectations and assumptions. Any event or circumstance that affects the recreational or medical cannabis industry or market could have a material adverse effect on the Corporation's business, financial condition and results of operations. Due to the early stage of the regulated cannabis industry, forecasts regarding the size of the industry and the sales of products by the Corporation are inherently difficult to prepare with a high degree of accuracy and reliability. A failure in the demand for products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Corporation.

### ***Breaches of security at its facilities, or in respect of electronic documents and data storage and risks related to breaches of applicable privacy laws.***

Given the nature of the Corporation's products, despite meeting or exceeding all legislative security requirements, there remains a risk of shrinkage, as well as theft. A security breach at one of the Corporation's facilities could expose the Corporation to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential consumers from choosing the Corporation's products. In addition, the Corporation collects and stores personal information about its consumers and is responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly consumer lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on the Corporation's business, financial condition and results of operations.

### ***Dependence on suppliers.***

The ability of the Corporation to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to equipment, parts and components. No assurances can be given that the Corporation will be successful in maintaining its required supply of equipment, parts and components. This could have an adverse effect on the financial results of the Corporation.

### ***Control of the Corporation.***

Messrs. Robert Groesbeck and Larry Scheffler, the Co-Chief Executive Officers and directors of the Corporation, are also the principal shareholders of the Corporation.

Mr. Groesbeck owns or controls, directly or indirectly, 12,424,695 Planet 13 Shares and 26,125,470 Restricted Voting Shares and , and Mr. Scheffler owns or controls, directly or indirectly, 13,075,967 Planet 13 Shares and 26,125,470 Restricted Voting Shares, representing, in the aggregate, approximately [39.84%] of the equity of the Corporation as

of the date of this AIF (on a non-diluted basis). By virtue of their status as principal shareholders of the Corporation, and by each being a director and executive officer of the Corporation, each of Messrs. Groesbeck and Scheffler have the power to exercise significant influence over all matters requiring shareholder approval, including the election of directors (holders of Restricted Voting Shares shall be entitled to receive notice of and to attend any meeting of shareholders of Corporation and to exercise one vote for each Restricted Voting Share held at all meetings of shareholders, other than with respect to the vote for the election or removal of directors of the Corporation), amendments to the Corporation's articles and by-laws, mergers, business combinations and the sale of substantially all of the Corporation's assets. As a result, the Corporation could be prevented from entering into transactions that could be beneficial to the Corporation or its other shareholders. Also, third parties could be discouraged from making a take-over bid. As well, sales by either Messrs. Groesbeck and Scheffler of a substantial number of Planet 13 Shares could cause the market price of the Planet 13 Shares to decline.

### ***The Corporation is a Holding Company***

The Corporation is a holding company and the vast majority its assets are the capital stock of MMDC. As a result, investors in the Corporation are subject to the risks attributable to MMDC. As a holding company, the Corporation conducts substantially all of its business through MMDC, which generates substantially all of its revenues. Consequently, the Corporation's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of MMDC and the distribution of those earnings to the Corporation. The ability of MMDC to pay dividends and other distributions will depend on its operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by MMDC and contractual restrictions contained in the instruments governing its debt. In the event of a bankruptcy, liquidation or reorganization of MMDC, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of MMDC before the Corporation.

### ***Third party service providers to the Corporation may withdraw or suspend their service under threat of prosecution.***

Since under U.S. federal law the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts under federal law, companies that provide goods and/or services to companies engaged in cannabis-related activities may, under threat of federal civil and/or criminal prosecution, suspend or withdraw their services. Any suspension of service and inability to procure goods or services from an alternative source, even on a temporary basis, that causes interruptions in the Corporation's operations could have a material and adverse effect on the Corporation's business, financial condition and results of operations.

### ***The Corporation may be unable to adequately protect its proprietary and intellectual property rights, particularly in the U.S.***

The Corporation's ability to compete may depend on the superiority, uniqueness and value of any intellectual property and technology that it may develop. To the extent the Corporation is able to do so, to protect any proprietary rights of the Corporation, the Corporation intends to rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, any of the following occurrences may reduce the value of any of the Corporation's intellectual property:

1. the market for the Corporation's products and services may depend to a significant extent upon the goodwill associated with its trademarks and trade names, and its ability to register certain of its intellectual property under U.S. federal and state law is impaired by the illegality of cannabis under U.S. federal law;
2. patents in the cannabis industry involve complex legal and scientific questions and patent protection may not be available for some or any products; the Corporation's applications for trademarks and copyrights relating to its business may not be granted and, if granted, may be challenged or invalidated;
3. issued patents, trademarks and registered copyrights may not provide the Corporation with competitive advantages; the Corporation's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of any its products or intellectual property;

4. the Corporation's efforts may not prevent the development and design by others of products or marketing strategies similar to or competitive with, or superior to those the Corporation develops;
5. another party may assert a blocking patent and the Corporation would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products; or
6. the expiration of patent or other intellectual property protections for any assets owned by the Corporation could result in significant competition, potentially at any time and without notice, resulting in a significant reduction in sales. The effect of the loss of these protections on the Corporation and its financial results will depend, among other things, upon the nature of the market and the position of the Corporation's products in the market from time to time, the growth of the market, the complexities and economics of manufacturing a competitive product and regulatory approval requirements but the impact could be material and adverse.

***The Corporation may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Corporation relating to intellectual property rights.***

The Corporation may be forced to litigate to enforce or defend its intellectual property rights, to protect its trade secrets or to determine the validity and scope of other parties' proprietary rights. Any such litigation could be very costly and could distract its management from focusing on operating the Corporation's business. The existence and/or outcome of any such litigation could harm the Corporation's business. Further, because the content of much of the Corporation's intellectual property concerns cannabis and other activities that are not legal in some state jurisdictions or under federal law, the Corporation may face additional difficulties in defending its intellectual property rights.

***Negative results from clinical trials.***

From time to time, studies or clinical trials on cannabis products may be conducted by academics or others, including government agencies. The publication of negative results of studies or clinical trials related to the Corporation's proposed products or the therapeutic areas in which the Corporation's proposed products will compete could have a material adverse effect on the Corporation's sales.

***Insurance coverage.***

The Corporation's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes, product liability and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability. Although the Corporation maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance does not cover all the potential risks associated with its operations. The Corporation may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Corporation is not generally available on acceptable terms. The Corporation might also become subject to liability for pollution or other hazards which may not be insured against or which the Corporation may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Corporation to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

***The Corporation may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on the Corporation's reputation, business, results from operations, and financial condition.***

The Corporation may be named as a defendant in a lawsuit or regulatory action. The Corporation may also incur uninsured losses for liabilities which arise in the ordinary course of business, or which are unforeseen, including, but not limited to, employment liability and business loss claims. Any such losses could have a material adverse effect on the Corporation's business, results of operations, sales, cash flow or financial condition.

***Product recalls.***

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the Corporation's products are recalled due to an alleged product defect or for any other reason, the Corporation could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Corporation may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Corporation has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Corporation's brands were subject to recall, the image of that brand and the Corporation could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Corporation's products and could have a material adverse effect on the Corporation's results of operations and financial condition. Additionally, product recalls may lead to increased scrutiny of the Corporation's operations by regulatory agencies, requiring further management attention and potential legal fees and other expenses.

***The Corporation faces competition from other companies where it will conduct business that may have higher capitalization, more experienced management or may be more mature as a business.***

An increase in the companies competing in this industry could limit the ability of the Corporation to expand its operations. Current and new competitors may have better capitalization, a longer operating history, more expertise and able to develop higher quality equipment or products, at the same or a lower cost. The Corporation cannot provide assurances that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Corporation could have a material adverse effect on its business, operating results and financial condition.

***If the Corporation is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market.***

The Corporation's success has depended and continues to depend upon its ability to attract and retain key management, including the Corporation's Co-Chief Executive Officers, Chief Financial Officer, Vice-President of Finance, Vice-President of Operations, Vice-President of Sales and Marketing, General Counsel and technical experts. The Corporation will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Corporation's inability to retain employees and attract and retain sufficient additional employees or engineering and technical support resources could have a material adverse effect on the Corporation's business, results of operations, sales, cash flow or financial condition. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Corporation, results of operations of the business and could limit the Corporation's ability to develop and market its cannabis-related products. The loss of any of the Corporation's senior management or key employees could materially adversely affect the Corporation's ability to execute the Corporation's business plan and strategy, and the Corporation may not be able to find adequate replacements on a timely basis, or at all. The Corporation does not maintain key person life insurance policies on any of the Corporation's employees.

***There is no assurance that the Corporation will obtain and retain any relevant licenses.***

If obtained, any state licenses in the U.S. are expected to be subject to ongoing compliance and reporting requirements. Failure by the Corporation to comply with the requirements of licenses or any failure to maintain licenses would have a material adverse impact on the business, financial condition and operating results of the Corporation. Should any state in which the Corporation considers a license important not grant, extend or renew such license or should it renew such license on different terms, or should it decide to grant more than the anticipated number of licenses, the business, financial condition and results of the operation of the Corporation could be materially adversely affected.

***Failure to successfully integrate acquired businesses, its products and other assets into the Corporation, or if integrated, failure to further the Corporation's business strategy, may result in the Corporation's inability to realize any benefit from such acquisition.***

The Corporation may grow by acquiring other businesses. The consummation and integration of any acquired business, product or other assets into the Corporation may be complex and time consuming and, if such businesses and assets are not successfully integrated, the Corporation may not achieve the anticipated benefits, cost-savings or growth opportunities. Furthermore, these acquisitions and other arrangements, even if successfully integrated, may fail to further the Corporation's business strategy as anticipated, expose the Corporation to increased competition or other challenges with respect to the Corporation's products or geographic markets, and expose the Corporation to additional liabilities associated with an acquired business, technology or other asset or arrangement.

If and when the Corporation acquires cannabis businesses, it may obtain the rights to applications for licenses as well as licenses; however, the procurement of such applications for licenses and licenses generally will be subject to governmental and regulatory approval. There are no guarantees that the Corporation will successfully consummate such acquisitions, and even if the Corporation consummates such acquisitions, the procurement of applications for licenses may never result in the grant of a license by any state or local governmental or regulatory agency and the transfer of any rights to licenses may never be approved by the applicable state and/or local governmental or regulatory agency.

***The size of the Corporation's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data.***

Because the cannabis industry is in an early stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Corporation and, few, if any, established companies whose business model the Corporation can follow or upon whose success the Corporation can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Corporation. There can be no assurance that the Corporation's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results. The Corporation regularly purchases and follows market research.

***The Corporation's industry is experiencing rapid growth and consolidation that may cause the Corporation to lose key relationships and intensify competition.***

The cannabis industry and businesses ancillary to and directly involved with cannabis businesses are undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Corporation in a number of ways, including by losing strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue and market share, or forcing the Corporation to expend greater resources to meet new or additional competitive threats, all of which could harm the Corporation's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Corporation's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its profitability. The Corporation may continue to sell shares for cash to fund operations, capital expansion, and mergers and acquisitions that will dilute the current shareholders.

There is no guarantee that the Corporation will be able to achieve its business objectives. The continued development of the Corporation will require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Corporation going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Corporation.

If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Planet 13 Shares. The Corporation's articles permit the issuance of an unlimited number of Planet 13 Shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The

directors of the Corporation have discretion to determine the price and the terms of issue of further issuances. Moreover, additional Planet 13 Shares will be issued by the Corporation on the exercise of convertible securities of the Corporation. In addition, from time to time, the Corporation may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Corporation's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Corporation to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Corporation may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Corporation's ability to pursue its business objectives.

***The Corporation could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Corporation.***

The Corporation is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Corporation that violate government regulations. It is not always possible for the Corporation to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Corporation to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Corporation from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Corporation, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Corporation's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Corporation's operations, any of which could have a material adverse effect on the Corporation's business, financial condition and results of operations.

***The Corporation will be reliant on information technology systems and may be subject to damaging cyberattacks.***

The Corporation has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with its operations. The Corporation's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Corporation's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Corporation's reputation and results of operations.

The Corporation has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Corporation will not incur such losses in the future. The Corporation's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Corporation may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

***The Corporation's officers and directors may be engaged in a range of business activities resulting in conflicts of interest.***

Although certain officers of the Corporation are bound by non-competition agreements limiting their ability to enter into competing and/or conflicting ventures or businesses during, and for a period of 12 months after, their employment with the Corporation, the Corporation may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, the Corporation's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Corporation. In some cases, the Corporation's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Corporation's business and affairs and that could adversely affect the Corporation's operations. These business interests could require significant time and attention of the Corporation's executive officers and directors.

In addition, the Corporation may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time-to-time deal with persons, firms, institutions or companies with which the Corporation may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Corporation. In addition, from time to time, these persons may be competing with the Corporation for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Corporation's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Corporation are required to act honestly, in good faith and in the best interests of the Corporation.

***In certain circumstances, the Corporation's reputation could be damaged.***

Damage to the Corporation's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Corporation and its activities, whether true or not. Although the Corporation believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Corporation does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Corporation's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

***Leased Premises***

The Corporation currently leases its production and cultivation facility, the Planet 13 Superstore and its "Medizin" dispensary in Las Vegas, Nevada. Each of the leases specifically contemplates carrying on cannabis cultivation, sales and other licensed cannabis activities pursued by the Corporation and its subsidiaries. While the Corporation currently has a good relationship with each of its landlords, a termination of any of the leases by any of its respective landlords could have a material adverse effect on the Corporation's business, financial condition and prospects.

***COVID-19 Pandemic***

The Corporation cautions that current global uncertainty with respect to the spread of the COVID-19 virus and its effect on the broader global economy may have a significant negative effect on the Corporation. While the precise impact of the COVID-19 virus on the Corporation remains unknown, rapid spread of the COVID-19 virus may have a material adverse effect on global economic activity, and can result in volatility and disruption to global supply chains, labour productivity, operations, mobility of people as a result of travel restrictions and border closures and the financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and expected timelines and other factors relevant to the Corporation.

Management is committed to keeping the Planet 13 Superstore open but continues to monitor the situation on a daily basis and is prepared to take necessary actions in response to directives of government and public health authorities, and any actions that are in the best interests of its team members, customers, and other stakeholders. As described in this Prospectus and in the AIF, the Corporation has already taken and will continue to take actions to mitigate the effects of COVID-19 on its operations, such as the expansion of its fleet of delivery vehicles while protecting the health and safety of its team members, customers and other stakeholders.

Uncertain economic conditions resulting from the COVID-19 outbreak may, in the short or long term, adversely impact demand for the Corporation's products. The Corporation relies on consumers' demand for the cannabis products it sells in its Planet 13 Superstore. Consumer spending may decline across cannabis retail. Such a situation could adversely affect the Corporation's business, financial condition, liquidity and results of operations. A limited or general decline in consumption of cannabis products could occur in the future due to a variety of factors related to the COVID-19 pandemic, including: (i) a continued decline in economic or geopolitical conditions, including increased or prolonged unemployment, resulting in reduced consumer disposable income; (ii) concern about the health consequences of consuming cannabis products given the increased awareness of health concerns during this time; and (iii) a general decline in consumers leaving their homes and favouring online shopping, resulting in less foot traffic in the Planet 13 Superstore.

Many of the third-party statistics or data presented herein predate the COVID-19 pandemic, and forecasts or estimates may be impacted by economic or regulatory changes resulting from the pandemic. Although the Corporation has yet to experience a material decline in consumer spending, the ultimate impact is currently unknown and may become significant as consumers continue to self-isolate and experience financial hardship from prolonged unemployment.

#### **Risk Factors Specifically Related to the United States Regulatory System**

***Some of the Corporation's planned business activities, while believed to be compliant with applicable U.S. state and local law, are illegal under federal law.***

Although certain states and territories of the U.S. authorize medical or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law under any and all circumstances under the CSA. An investor's contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment.

Since the possession and use of cannabis and certain drug paraphernalia is illegal under U.S. federal law, the Corporation may be deemed to be aiding and abetting illegal activities through the contracts it has entered into and the products that it intends to provide. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of cannabis and any related drug paraphernalia, may seek to bring an action or actions against the Corporation, including, but not limited to, aiding and abetting another's criminal activities. The United States federal aiding and abetting statute provides that anyone who "commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result of such an action, the Corporation may be forced to cease operations and be restricted from operating in the U.S. and its investors could lose their entire investment. Such an action would have a material negative effect on our business and operations.

***There is uncertainty surrounding the U.S. federal Administration and Attorney General Merrick B. Garland and their influence and policies in opposition to the cannabis industry as a whole.***

As discussed under the heading "*United States Regulatory Environment*" in this AIF, as a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis business in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in the Cole Memo. The Cole Memo was addressed to all United States district attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several US states have enacted laws relating to cannabis for medical purposes. The Cole Memo outlined certain priorities for the DOJ relating to the prosecution of cannabis offenses. In particular, the Cole Memo noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and

effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the DOJ has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memo standard.

In light of limited investigative and prosecutorial resources, the Cole Memo concluded that the DOJ should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority. On January 4, 2018, former US Attorney General Jeff Sessions issued a memorandum to US district attorneys which rescinded the Cole Memo. With the Cole Memo rescinded, US federal prosecutors can exercise their discretion in determining whether to prosecute compliant state law cannabis-related operations as violations of U.S. federal law throughout the United States. The potential impact of the decision to rescind the Cole Memo is unknown and may have a material adverse effect on the Corporation's business and results of operations. Through September 30, 2021 DOJ appropriations prohibit use of funds for enforcement actions against medical cannabis. Merrick B. Garland was sworn in on March 11, 2021 as the 86<sup>th</sup> U.S. Attorney General, and it remains unknown what position he or the Biden administration will take regarding federal enforcement actions against the cannabis industry.

The Corporation's business interests in the United States include the cultivation and provision of cannabis and cannabis-infused products. The Corporation is not aware of any non-compliance with the applicable licensing requirements or regulatory framework enacted by the states in which any of the Corporation customers or partners are operating.

***The Corporation is operating at a regulatory frontier.***

The cannabis industry is a new industry that may not succeed. Should the federal government in the U.S. change course and decide to prosecute those dealing in medical or other cannabis under applicable law, there may not be any market for the Corporation's products and services in the U.S. Cannabis is a new industry subject to extensive regulation, and there can be no assurance that it will grow, flourish or continue to the extent necessary to permit the Corporation to succeed. The Corporation is treating the cannabis industry as a deregulating industry with significant unsatisfied demand for its proposed products and will adjust its future operations, product mix and market strategy as the industry develops and matures.

***The Corporation's operations in the United States cannabis market may become the subject of heightened scrutiny.***

The Corporation's operations in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada and the United States. As a result, the Corporation may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Corporation's ability to invest in and/or operate in the United States or any other jurisdiction.

***Heightened scrutiny by Canadian regulatory authorities***

For the reasons set forth above, the Corporation's existing operations in the United States, and any future operations or investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Corporation may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Corporation's ability to operate or invest in the United States or any other jurisdiction, in addition to those described herein.

It had been reported in Canada that the Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS Clearing and Depository Services Inc. ("CDS"), refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, despite media reports to the contrary and that the TMX

Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding (“MOU”) with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange.<sup>18</sup> The MOU outlines the parties’ understanding of Canada’s regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented at a time when Planet 13 Shares are listed on a stock exchange, it would have a material adverse effect on the ability of holders of Planet 13 Shares to make and settle trades. In particular, the Planet 13 Shares would become highly illiquid until an alternative was implemented, investors would have no ability to effect a trade of the Planet 13 Shares through the facilities of the applicable stock exchange.

***Regulatory scrutiny of the Corporation’s industry may negatively impact its ability to raise additional capital.***

The Corporation’s business activities rely on newly established and developing laws and regulations in the State of Nevada. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes, including changes in the interpretation and/or administration of applicable regulatory requirements may adversely affect the Corporation’s profitability or cause it to cease operations entirely. Any determination that the Corporation’s business fails to comply with Nevada’s cannabis regulations would require the Corporation either to significantly change or terminate its business activities, which would have a material adverse effect on the Corporation’s business.

The cannabis industry may come under the scrutiny or further scrutiny by the U.S. Food and Drug Administration, Securities and Exchange Commission, the DOJ, the Financial Industry Regulatory Advisory or other federal, the State of Nevada, the State of California or other applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the Corporation’s industry may adversely affect the business and operations of the Corporation, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital, which could reduce, delay or eliminate any return on investment in the Corporation.

***The Corporation, and/or contract counterparties with respect to the Corporation which are directly engaged in the trafficking of cannabis, may incur significant tax liabilities due to limitations on tax deductions and credits under section 280E of the Code.***

Section 280E of the Code prohibits businesses from taking deductions or credits in carrying on any trade or business consisting of trafficking in controlled substances which are prohibited by federal law. The IRS has invoked Section 280E in tax audits against various cannabis businesses in the U.S. that are authorized under state laws, seeking substantial sums in tax liabilities, interest and penalties resulting from underpayment of taxes due to the application of Section 280E. Under a number of cases, the United States Supreme Court has held that income means gross income (not gross receipts). Under this reasoning, the cost of goods sold (“COGS”) is permitted as a reduction in determining gross income, notwithstanding Section 280E. Although proper reductions for COGS are generally allowed to determine gross income, the scope of such items has been the subject of debate, and deductions for significant costs may not be permitted. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E favourable to cannabis businesses. Thus, the Corporation, to the extent of its “trafficking” activities (if applicable),

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<sup>18</sup> Memorandum from The Canadian Depository for Securities, Aequitas NEO Exchange Inc., CNSX Markets Inc., TSX Inc., and TSX Venture Exchange Inc. (8 February 2018). Retrieved from <https://www.cds.ca/resource/en/249/>.

and/or key contract counterparties directly engaged in trafficking in cannabis, may be subject to United States federal tax, without the benefit of deductions or credits. To the extent such tax limitations create a financial burden on contract counterparties, such burdens may impact the ability of such counterparties to make full or timely payment to the Corporation, which would have a material adverse effect on the Corporation's business.

***State and local laws and regulations may heavily regulate brands and forms of cannabis products and there is no guarantee that the Corporation's proposed products and brands will be approved for sale and distribution in any state.***

States generally only allow the manufacture, sale and distribution of cannabis products that are grown in that state and may require advance approval of such products. Certain states and local jurisdictions have promulgated certain requirements for approved cannabis products based on the form of the product and the concentration of the various cannabinoids in the product. While the Corporation intends to follow the guidelines and regulations of each applicable state and local jurisdiction in preparing products for sale and distribution, there is no guarantee that such products will be approved to the extent necessary. If the products are approved, there is a risk that any state or local jurisdiction may revoke its approval for such products based on changes in laws or regulations or based on its discretion or otherwise. In the event the Corporation expands into other U.S. jurisdictions, it plans to undertake no cross-border commerce between states until the federal regulatory environment permits such commerce to occur.

***The Corporation may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Corporation to operate.***

As discussed under the heading "United States Regulatory Environment" in this AIF, in February 2014, the FinCEN issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis businesses, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Biden administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Corporation may have limited or no access to banking or other financial services in the United States and may have to operate the Corporation's business on an all-cash basis. The inability or limitation in the Corporation's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Corporation to operate and conduct its business as planned.

***Due to the classification of cannabis as a Schedule I controlled substance under the CSA, banks and other financial institutions which service the cannabis industry are at risk of violating certain financial laws, including anti-money laundering statutes.***

Because the manufacture, distribution, and dispensation of cannabis remains illegal under the CSA, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the U.S. Bank Secrecy Act. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a "specified unlawful activity" such as distributing controlled substances which are illegal under federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA. The Corporation may also be exposed to the foregoing risks. In the event that any of the Corporation's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Corporation to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Corporation has no current intention to declare or pay dividends in the foreseeable future, in the event that a determination was made that any such investments in the United States could reasonably be shown to constitute proceeds of crime, the Corporation may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

### ***Constraints on marketing products***

The development of the Corporation's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in the United States limits the Corporation's ability to compete for market share in a manner similar to other industries. If the Corporation is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Corporation's sales and operating results could be adversely affected.

### ***U.S. federal trademark and patent protection may not be available for the intellectual property of the Corporation due to the current classification of cannabis as a Schedule I controlled substance.***

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark regarding the intellectual property of a business, may not be available to the Corporation. As a result, the Corporation's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Corporation can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level.

### ***The Corporation's contracts may not be legally enforceable in the U.S.***

Because the Corporation's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Corporation may face difficulties in enforcing its contracts in U.S. federal and certain state courts.

### **Risks Related to the Corporation's securities**

### ***The Corporation cannot assure that a market will continue to develop or exist for the Planet 13 Shares or what the market price of the Planet 13 Shares will be.***

The Corporation cannot assure that a market will continue to develop or be sustained for the Planet 13 Shares. If a market does not continue to develop or is not sustained, it may be difficult for investors to sell Planet 13 Shares at an attractive price or at all. The Corporation cannot predict the prices at which the Planet 13 Shares will trade.

### ***It may be difficult, if not impossible, for U.S. holders of the Planet 13 Shares to resell them over the CSE.***

It has recently come to management's attention that all major securities clearing firms in the U.S. have ceased participating in transactions related to securities of Canadian public companies involved in the medical cannabis industry. This appears to be due to the fact that cannabis continues to be listed as a controlled substance under U.S. federal law, with the result that cannabis-related practices or activities, including the cultivation, possession or distribution of cannabis, are illegal under U.S. federal law. Accordingly, U.S. residents who acquire Planet 13 Shares as "restricted securities" may find it difficult – if not impossible – to resell such shares over the facilities of any Canadian stock exchange on which the shares may then be listed including the CSE. It remains unclear what impact, if any, this and any future actions among market participants in the U.S. will have on the ability of U.S. residents to resell any Planet 13 Shares that they may acquire in open market transactions.

### ***The market price for Planet 13 Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Corporation's control.***

The market price for Planet 13 Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Corporation's control, including the following: (i) actual or anticipated fluctuations in the Corporation's quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of companies in the industry in which the Corporation operates;

(iv) addition or departure of the Corporation's executive officers and other key personnel; (v) release or expiration of lock-up or other transfer restrictions on outstanding Planet 13 Shares; (vi) sales or perceived sales of additional Planet 13 Shares; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or the Corporation's competitors; (viii) fluctuations to the costs of vital production materials and services; (ix) changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility; (x) operating and share price performance of other companies that investors deem comparable to the Corporation or from a lack of market comparable companies; (xi) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Corporation's industry or target markets; and (xii) regulatory changes in the industry.

Financial markets have at times historically experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Planet 13 Shares may decline even if the Corporation's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which might result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Corporation's operations could be adversely affected and the trading price of the Planet 13 Shares might be materially adversely affected.

***The Corporation is subject to uncertainty regarding legal and regulatory status and changes.***

Achievement of the Corporation's business objectives is also contingent, in part, upon compliance with other regulatory requirements enacted by governmental authorities and obtaining other required regulatory approvals. The regulatory regime applicable to the cannabis business in Canada and the US is currently undergoing significant proposed changes and the Corporation cannot predict the impact of the regime on its business once the structure of the regime is finalized. Similarly, the Corporation cannot predict the timeline required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failing to obtain, required regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of the Corporation. The Corporation will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Corporation's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Corporation's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Corporation.

***Future sales of Planet 13 Shares by existing shareholders could reduce the market price of the Planet 13 Shares.***

Sales of a substantial number of Planet 13 Shares in the public market could occur at any time. These sales, or the market perception that the holders of a large number of Planet 13 Shares intend to sell Planet 13 Shares, could reduce the market price of the Planet 13 Shares. Additional Planet 13 Shares may be available for sale into the public market, subject to applicable securities laws, which could reduce the market price for Planet 13 Shares. Holders of incentive stock options of the Corporation may have an immediate income inclusion for tax purposes when they exercise their options (that is, tax is not deferred until they sell the underlying Planet 13 Shares). As a result, these holders may need to sell Planet 13 Shares purchased on the exercise of options in the same year that they exercise their options. This might result in a greater number of Planet 13 Shares being sold in the public market, and fewer long-term holds of Planet 13 Shares by the Corporation's management and employees.

***No guarantee on the use of available funds by the Corporation.***

The Corporation cannot specify with certainty the particular uses of its available funds. Management has broad discretion in the application of its available funds. Accordingly, shareholders of Planet 13 Shares will have to rely upon the judgment of management with respect to the use of available funds, with only limited information concerning management's specific intentions. The Corporation's management may spend a portion or all of the available funds

in ways that the Corporation's shareholders might not desire, that might not yield a favourable return and that might not increase the value of a shareholder's investment. The failure by management to apply these funds effectively could harm the Corporation's business. Pending use of such funds, the Corporation might invest available funds in a manner that does not produce income or that loses value.

### ***Currency Fluctuations.***

The Corporation's revenues and expenses are expected to be primarily denominated in U.S. dollars, while funding may occur in Canadian dollars or other non-U.S. currencies therefore exposing the Corporation to currency exchange fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material adverse effect on the Corporation's business, financial condition and operating results. The Corporation may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Corporation develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

### ***Investors in the Corporation and its directors, officers and employees may be subject to entry bans into the United States***

Because cannabis remains illegal under United States federal law, those employed at or investing in legal and licensed Canadian cannabis companies could face detention, denial of entry or lifetime bans from the United States for their business associations with cannabis businesses. Entry happens at the sole discretion of the United States customs and border protection ("CBP") officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by United States federal laws, could mean denial of entry to the United States. Business or financial involvement in the legal cannabis industry in Canada or in the United States could also be reason enough for United States border guards to deny entry.

On September 21, 2018, CBP released a statement outlining its current position with respect to enforcement of the laws of the United States. It stated that Canada's legalization of cannabis will not change CBP enforcement of United States laws regarding controlled substances and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal cannabis industry in U.S. states where it is deemed legal or Canada may affect admissibility to the United States. As a result, CBP has affirmed that, employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the United States or Canada (such as the Corporation), who are not United States citizens face the risk of being barred from entry into the United States for life. As described above, on October 9, 2018, CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the United States for reasons unrelated to the cannabis industry will generally be admissible to the United States; however, if such person is found to be coming into the United States for reasons related to the cannabis industry, such person may be deemed inadmissible.

## **DIVIDENDS AND DISTRIBUTIONS**

The Corporation has not paid dividends since the completion of the Business Combination and currently intends to reinvest all future earnings to finance the development and growth of its business. As a result, the Corporation does not intend to pay dividends on the Planet 13 Shares in the foreseeable future. Any future determination to pay distributions will be at the discretion of the board of directors of the Corporation ("**Board of Directors**") and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of distributions and any other factors that the Board of Directors deems relevant. The Corporation is not bound or limited in any way to pay dividends in the event that the Board of Directors determined that a dividend was in the best interest of its shareholders.

## DESCRIPTION OF CAPITAL STRUCTURE

The Corporation is authorized to issue an unlimited number of Planet 13 Shares and an unlimited number of Restricted Voting Shares. As at the date of this AIF, 140,330,574 Planet 13 Shares and 55,232,940 Restricted Voting Shares were issued and outstanding.

### *Planet 13 Shares*

Holders of Planet 13 Shares are entitled to dividends, if, as and when declared by the Board of Directors, to one vote per share at meetings of shareholders of the Corporation and, upon dissolution, to share equally in such assets of the Corporation as are distributable to the holders of Planet 13 Shares.

### *Restricted Voting Shares*

As a condition to the completion of the Business Combination, the Corporation issued Restricted Voting Shares to former shareholders of MMDC.

The restrictions on conversion of the Restricted Voting Shares are designed to prevent the Corporation from becoming a "domestic issuer" ("**Domestic Issuer**") as defined under Rule 9021 of Regulation S pursuant to the U.S. Securities Act of 1933 (the "**1933 Act**"). Generally, the Corporation will be a Domestic Issuer if: (A) 50% or more of the holders of Planet 13 Shares are U.S. Persons (as defined under the 1933 Act); and (B) (i) the majority of the executive officers or directors of the Corporation are United States citizens or residents; (ii) the Corporation has 50% or more of its assets located in the United States; or (iii) the business of the Corporation is principally administered in the United States. As there are no restrictions on issue or transfer of Planet 13 Shares, there is no guarantee that the Corporation will not become a Domestic Issuer in the future as a result of such shares being transferred to U.S. Persons. Unlike the Planet 13 Shares, the Restricted Voting Shares will not entitle the holder to exercise voting rights, in respect of the election or removal of directors of the Corporation. Restricted Voting Shares were initially issued to all former shareholders of MMDC who were resident in the United States. Had the Business Combination not been completed without issuing Restricted Voting Shares, these U.S. Persons would have held an aggregate of approximately 67% of the issued and outstanding Planet 13 Shares immediately following the completion of the Business Combination which would have caused the Corporation to become a Domestic Issuer. Additional details regarding the Restricted Voting Shares are set out below.

The holders of Restricted Voting Shares:

1. have equal rateable rights among themselves and the holders of Planet 13 Shares to dividends from funds legally available therefor, when, as, and if declared by the Board of Directors;
2. be entitled to share rateably with the holders of Planet 13 Shares in all of the Corporation's assets that are available for distribution upon liquidation, dissolution, or winding up of the Corporation's affairs, subject to any liquidation preferences in favour of other issued and outstanding classes of shares;
3. not have pre-emptive or subscription rights, and there are no redemption or sinking-fund provisions applicable thereto;
4. be entitled to receive notice of and to attend any meeting of shareholders and to exercise one vote for each Restricted Voting Shares held at all meetings of the shareholders of the Corporation, other than with respect to the vote for the election or removal of directors of the Corporation and at meetings at which only the holders of another class or series of shares are entitled to vote separately as a class or series;
5. be able to convert each issued and outstanding Restricted Voting Shares into one Planet 13 Share (subject to customary adjustments) provided that the Corporation is not a Domestic Issuer or the conversion would not cause the Corporation to become a Domestic Issuer;
6. the Restricted Voting Shares will be convertible by the Corporation, at the option of the holder thereof and under certain circumstances; and
7. no Restricted Voting Shares shall be transferred by any holder thereof pursuant to an Exclusionary Offer (defined below) unless concurrently with such an offer, an offer to acquire Planet 13 Shares is made that is identical to the Exclusionary Offer in terms of price per share, percentage of outstanding shares to be taken up (excluding those held by the offeror) and in all other material respects. For these purposes, an

“Exclusionary Offer” means an offer to purchase Restricted Voting Shares which must be made by reason of applicable securities legislation or the rules and regulations, by-laws or policies of a stock exchange of which the Planet 13 Shares are listed to all or substantially all of the holders of the Restricted Voting Shares.

## MARKET FOR SECURITIES

### Trading Price and Volume

The Planet 13 Shares are listed and posted for trading on the CSE under the symbol “PLTH”. The Planet 13 Shares commenced trading on the CSE effective June 21, 2018. The following table indicates the high and low values and volume with respect to trading activity for the Planet 13 Shares on the CSE on a monthly basis for the Corporation’s financial year ended December 31, 2020 (Source: www.thecse.com and www.finance.yahoo.com).

Month	High (C\$)	Low (C\$)	Volume
<b>2020</b>			
January	2.62	2.01	2,198,270
February	2.60	1.81	4,283,354
March	2.19	0.99	4,092,159
April	1.88	1.26	2,240,122
May	1.84	1.41	2,057,601
June	2.69	1.66	14,685,466
July	4.07	1.96	15,208,671
August	5.51	3.50	16,084,529
September	4.70	3.48	6,409,263
October	5.29	3.57	7,990,716
November	6.54	4.25	8,805,130
December	8.20	6.73	10,574,975

The price of the Planet 13 Shares as quoted by the CSE at the close of business on April 1, 2021 was C\$7.75.

### Prior Sales

The Corporation had issued the following securities in the financial year ended December 31, 2020 that are not listed or quoted on a marketplace:

Month of Issue	Type of Security	Number Issued	Number outstanding	Issue/Exercise Price (C\$)	Reason for Issuance
July 3, 2020	Warrants	321,540	nil	\$2.15	Broker options compensation
September 10, 2020	Warrants	373,290	nil	\$3.70	Broker options compensation
November 5, 2020	Warrants	401,925	nil	\$4.30	Broker options compensation
January 1, 2020	Restricted Share Units	50,000	16,667	\$2.52	Grant of Share Units
July 3, 2020	Restricted Share Units	50,518	nil	\$2.04	Grant of Share Units

## ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

As required under the policies of the CSE, certain principals of the Corporation entered into a 36-month escrow agreement pursuant to the requirements of National Policy 46-201 – *Escrow for Initial Public Offerings* with Odyssey Trust Company. The following securities of the Corporation are currently on deposit in escrow:

Designation of Class	Number of Securities Held in Escrow	Percentage of Class
Planet 13 Shares	3,795,000	2.71%
Restricted Voting Shares	7,455,000	13.50%

### DIRECTORS AND OFFICERS

The following table sets forth the name, municipality of residence, position held with the Corporation, principal occupation for the five preceding years and number of Planet 13 Shares and Restricted Voting Shares beneficially owned by each person who is a director and/or an executive officer of the Corporation. The statement as to the Planet 13 Shares or Restricted Voting Shares beneficially owned, controlled or directed, directly or indirectly, by the directors and executive officers hereinafter named is in each instance based upon information furnished by the person concerned and is as at the date hereof.

Name, Position with the Corporation and Municipality of Residence	Director/Officer Since	Principal Occupation(s)	Number of Planet 13 Shares and/or Restricted Voting Shares Beneficially Owned, Directly or Indirectly or Over Which Control or Direction is Exercised
Robert Groesbeck Co-Chief Executive Officer, Co- Chairman of the Board and a Director <i>Henderson, Nevada</i>	June 2018	Co-Chief Executive Officer of the Corporation (2018 – Present); Co-Chief Executive Officer of MMDC (2014 - 2018); and General Counsel, Advisor to C&S Waste Solutions (2013 - Present)	12,424,695 Planet 13 Shares (8.85%) 26,125,470 Restricted Voting Shares (47.3%)
Larry Scheffler <sup>(1)</sup> Co-Chief Executive Officer, Co- Chairman of the Board and a Director <i>Henderson, Nevada</i>	June, 2018	Co-Chief Executive Officer of the Corporation (2018 – Present); Co-Chief Executive Officer of MMDC (2014 - 2018); and Chairman and Founder of Las Vegas Color Graphics, Inc. (1978 - Present)	13,075,967 Planet 13 Shares (9.32%) 26,125,470 Restricted Voting Shares (47.3%)
Dennis Logan Chief Financial Officer <i>Toronto, Ontario</i>	June, 2018	Chief Financial Officer of the Corporation (2018 – Present); Chief Financial Officer, Sterling Metals Corp. (2017 - Present); Chief Financial Officer of BTU Metals Corp. (2017 - Present); and Former Chief Financial Officer, Almonty Industries Inc. (2011 to 2017)	99,885 Planet 13 Shares (less than one percent)
William Vargas Vice-President of Finance <i>Las Vegas, Nevada</i>	June, 2018	Vice-President of Finance of the Corporation (2018 – Present); Chief Financial Officer and Senior Vice-President of Las Vegas Color Graphics, Inc. (2000 - Present)	173,893 Planet 13 Shares (less than one percent)
Chris Wren Vice-President of Operations <i>North Las Vegas, Las Vegas</i>	June, 2018	Vice-President of Operations of the Corporation (2018 - Present); Vice-President of Operations of MMDC (2014 - 2018)	1,512,926 Planet 13 Shares (1.08%) 2,982,000 Restricted Voting Shares (5.4%)
Leighton Koehler General Counsel <i>Las Vegas, Nevada</i>	June, 2018	General Counsel of the Corporation (2018 – Present); Attorney/CPA at Dickinson Wright PLLC and Fabian VanCott (2013 - 2018); Senior Revenue Agent at Internal Revenue	107,164 Planet 13 Shares (less than one percent)

Name, Position with the Corporation and Municipality of Residence	Director/Officer Since	Principal Occupation(s)	Number of Planet 13 Shares and/or Restricted Voting Shares Shares Beneficially Owned, Directly or Indirectly or Over Which Control or Direction is Exercised
		Service (2007 – 2013) Auditor at Ernst and Young (2004 – 2007)	
Stephen Markle VP Production <i>Las Vegas, Nevada</i>	June 2018	Vice-President of Production of the Corporation (2017-Present), Analytical Chemist at MM Labs (2015-2017), Analytical Chemist at Procaps Laboratories (2012-2015)	135,333 Planet 13 Shares (less than one percent)
David Farris VP Sales & Marketing <i>Henderson, Nevada</i>	June 2018	Director of Marketing of the Corporation (2016 – present), Supervisor of Marketing & Communications at Lombardi Recreation (2014 – 2016)	49,946 Planet 13 Shares (less than one percent)
Michael Harman <sup>(1)(2)(3)</sup> Director <i>Syosset, New York</i>	June 2018	Managing Partner, HRP CPAs and Consultants (2016 – Present) Partner at LLB CPAs (1998-2016)	190,432 Planet 13 Shares (less than one percent)
Adrienne O’Neal <sup>(1)(2)(3)</sup> Director <i>Las Vegas, Nevada</i>	June 2019	Owner, Red Rock Counseling, Licensed Marriage & Family Therapist, NV State Board License #1053 (present), Part-Time Instructor, UNLV School of Medicine (present), Board Member, Nevada Board of Examiners for Marriage & Family Therapist and Clinical Professional Counselors, (2017 – present), State of NV Association of Addiction Professionals, Secretary, (2000-2004)	62,305 Planet 13 Shares (less than one percent)

**Notes:**

- (1) Member of the Audit Committee. Mr. Harman is the Chairman.
- (2) Member of the Corporate Governance and Nominating Committee. Ms. O’Neal is the Chairman.
- (3) Member of the Compensation Committee. Ms. O’Neal is the Chairman.

The directors of the Corporation are elected by the shareholders at each annual general meeting and typically hold office until the next annual general meeting at which time they may be re-elected or replaced.

The by-laws of the Corporation permit the Board of Directors to appoint directors to fill any casual vacancies that may occur. Individuals appointed as directors to fill casual vacancies on the Board of Directors hold office for the remainder of the term of the director that he or she is replacing, being until the next annual general meeting at which time they may be re-elected or replaced.

As of April 5, 2021, the directors and executive officers, as a group, beneficially own, directly or indirectly, or exercise control or direction over, a total of 27,832,636 Planet 13 Shares and 55,232,940 Restricted Voting Shares, representing approximately 42.47% of the equity of the Corporation on a non-diluted basis.

## **Corporate Cease Trade Orders**

To the Corporation's knowledge, no director or executive officer of the Corporation is, as of the date hereof, or was within ten years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Corporation), that:

- (a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

## **Bankruptcies and Other Proceedings**

To the Corporation's knowledge, no director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation:

- (a) is, as of the date hereof, or has been within the ten years before the date hereof, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

## **Penalties or Sanctions**

To the Corporation's knowledge, no director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## **Conflicts of Interest**

The directors of the Corporation are required by law to act honestly and in good faith with a view to the best interests of the Corporation and to disclose any interests, which they may have in any project or opportunity of the Corporation. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict is required to disclose his interest and abstain from voting on such matter. Conflicts, if any, will be subject to the procedures and remedies provided under the CBCA.

Other than disclosed herein, there are no known existing or potential conflicts of interest among the Corporation, its directors and officers or other members of management of the Corporation or of any proposed director, officer or other member of management as a result of their outside business interests except that certain of the directors and officers

serve as directors and/or officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Corporation and their duties as a director or officer of such other companies. See “*Risk Factors*”.

## **AUDIT COMMITTEE DISCLOSURE**

### **Audit Committee Charter**

The Audit Committee has adopted a written charter setting out its mandate and responsibilities. The Audit Committee is responsible for assisting the Board of Directors in fulfilling its oversight responsibilities relating to financial accounting and reporting processes and internal controls. The Audit Committee’s primary duties and responsibilities are to: (i) conduct reviews and discussions with management and the external auditors relating to the audit and financial reporting as are deemed appropriate by the Audit Committee; (ii) assess the integrity of internal controls and financial reporting procedures of the Corporation and ensure implementation of such controls and procedures; (iii) ensure appropriate standards of corporate conduct for senior financial personnel and employees and, if necessary, adopt a corporate code of ethics; (iv) review the quarterly and annual financial statements and related management’s discussion and analysis (“**MD&A**”) of the Corporation’s consolidated financial position and operating results and in the case of the annual Financial Statements & MD&A report thereon to the Board of Directors for approval of same; (v) select and monitor the independence and performance of the Corporation’s external auditors and approve their remuneration; (vi) provide oversight to related party transactions entered into by the Corporation; and (vii) provide oversight of all disclosure relating to Financial Statements, MD&A and information derived therefrom. The Audit Committee is responsible for inquiring of management and the external auditors about significant risks or exposures, both internal and external to which the Corporation may be subject and assessing the steps management has taken to minimize such risks. The Audit Committee is also responsible for establishing and implementing procedures in respect of complaints and submissions relating to accounting matters and the approval of non-audit services by the external auditors.

The Charter of the Corporation’s Audit Committee is set forth in Appendix “A” hereto.

### **Composition of the Audit Committee**

The Audit Committee has been constituted to oversee the financial reporting processes of the Corporation and is comprised of two independent directors, namely Mr. Harman (Chairman of the Audit Committee) and Ms. O’Neal and one non-independent director, namely Mr. Scheffler. Each member of the Audit Committee is financially literate and possesses extensive financial knowledge, experience and comprehension of financial statements.

### **Relevant Education and Experience**

Each member of the Audit Committee has experience relevant to his or her responsibilities as an Audit Committee member.

**Michael Harman.** Mr. Harman, CPA has been in the accounting field for over 20 years and is the Managing Partner and senior audit partner with HRP CPAs, a Certified Public Accounting and Consulting firm based in Las Vegas. His primary focus is business consulting including performing outsourced CFO services and various other engagements such as consulting on M&A, systems implementation and conversions and business turnarounds. In his consulting role, he holds the title of CFO with various companies primarily in Las Vegas. He holds FINRA series 27 and 63 licenses, serves as Financial Operations Principal for a Broker Dealer in Las Vegas, is a member of the American Institute of Certified Public Accountants, the Turnaround Management Association and the Nevada Society of Certified Public Accountants and is a Certified Public Accountant licensed in the State of Nevada.

**Adrienne O’Neal.** Ms. O’Neal holds a B.S. Marketing and a M.S. Marriage and Family Therapy degree from the University of Nevada. She has been the owner of Las Vegas Counselor LLC since 2004, where she provides marriage and family therapist services. From 1993 to 2000, Ms. O’Neal was an Account Manager at R&R Communications. In addition, Ms. O’Neal has created and managed marketing budgets for companies and agencies including Del Webb, the Southern Nevada Water Authority and the Clark County School District. Ms. O’Neal has successfully passed the Series 7 exam, an exam which measures the degree to which a candidate possesses the knowledge needed to perform the critical functions of a general securities representative, including sales of corporate securities, municipal securities, investment company securities, variable annuities, direct participation programs, options and government securities, administered by the Financial Industry Regulatory Authority. In 2016, Ms. O’Neal was appointed by former State of Nevada Governor Brian Sandoval to the Nevada State Board of Marriage & Family Therapy and Clinical Professional Counselors. Ms. O’Neal is also a part-time instructor at the UNLV School of Medicine’s Marriage and Family Therapy Graduate Program.

**Larry Scheffler.** Mr. Scheffler has been a resident of Nevada for 48 years. He founded Las Vegas Color Graphics, Inc. in 1978 and grew it into the largest privately-owned commercial printing company in Nevada. Las Vegas Color has a staff of more than 200 people. He has also served as a councilman for the city of Henderson, Nevada from 1990 to 1995. Mr. Scheffler has also served as a commissioner on six major commissions in Southern Nevada government. He has an extensive background in real estate. He has founded and is managing director of entities controlling over 1,000 acres in three states that are under some form of development.

### Reliance on Certain Exemptions

The Corporation is relying on the exemption in Section 6.1 of National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”) from the requirement of Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

### Pre-Approval Policies and Procedures

The Audit Committee charter sets out procedures regarding the provision of non-audit services by the Corporation’s independent chartered professional accountants. This policy encourages consideration of whether the provision of services other than audit services is compatible with maintaining the auditor’s independence and requires Audit Committee pre-approval of permitted non-audit and non-audit related services.

### External Auditor Service Fees (by category)

Davidson & Company LLP was appointed as the Corporation’s Auditor on September 24, 2019 after the resignation of MNP LLP. Prior to the appointment of Davidson & Company LLP, MNP LLP was appointed as the Corporation’s external auditors following the completion of the Business Combination on June 11, 2018. The aggregate fees, listed in US Dollars, billed and estimated to be billed by the Corporation’s external auditors for the last two fiscal years is set out in the table below.

Year	Audit Fees <sup>(1)</sup>	Audit Related Fees <sup>(2)</sup>	Tax Fees <sup>(3)</sup>	All Other Fees <sup>(4)</sup>
2020	\$525,000	\$75,000	\$25,000	\$70,000
2019	\$525,000	Nil	\$25,000	Nil

**Notes:**

- (1) “Audit Fees” refers to the aggregate fees billed by the external auditor for audit services.
- (2) “Audit Related Fees” refers to aggregate fees billed for assurance and related services by the Corporation’s external auditor that are reasonably related to the performance of the audit or review of the Corporation’s financial statements and not reported under Audit Fees.
- (3) “Tax Fees” includes fees for professional services rendered by the external auditor for tax compliance, tax advice, and tax planning.
- (4) “All Other Fees” includes all fees billed by the external auditors for services not covered in the other three categories including procedures performed in connection with prospectus offerings.

## PROMOTERS

Robert Groesbeck and Larry Scheffler, the Co-Chief Executive Officers, Co-Chairmen and each a director of the Corporation, are promoters of the Corporation. As of April 5, 2021: (i) Mr. Groesbeck beneficially owns, or controls or directs, directly or indirectly, a total of 12,424,697 Common Shares, 26,125,470 Restricted Voting Shares and 205,506 RSUs, representing approximately 18.78% of the equity of the Corporation on a fully diluted basis; and (ii) Mr. Scheffler beneficially owns, or controls or directs, directly or indirectly, a total of 13,075,967 Common Shares, 26,125,470 Restricted Voting Shares and 205,506 RSUs, representing approximately 19.10% of the equity of the Corporation on a fully diluted basis. Other than as disclosed in this AIF, no person who was a promoter of the Corporation:

- received anything of value directly or indirectly from the Corporation or a subsidiary within the last two years;
- sold or otherwise transferred any asset to the Corporation or a subsidiary within the last two years;
- has been a director, chief executive officer or chief financial officer of any company that during the past 10 years was the subject of a cease trade order or similar order or an order that denied the company access to any exemptions under securities legislation for a period of more than 30 consecutive days or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets;
- has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority within the last two years;
- has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision within the last two years; or
- has within the past 10 years become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than the DOT License Matter, there are no material legal proceedings or regulatory actions to which the Corporation or its subsidiaries or properties are or were subject to, during the most recently completed financial year ended December 31, 2020.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed elsewhere in this AIF, no director, executive officer or principal shareholder of the Corporation, or any associate or affiliate of the foregoing, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year prior to the date of this AIF that has materially affected or will materially affect the Corporation.

## TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Planet 13 Shares and the Restricted Voting Shares is Odyssey Trust Company located at 350-300 5<sup>th</sup> Avenue SW, Calgary, Alberta, T2P 3C4, Canada.

## MATERIAL CONTRACTS

There are no contracts of the Corporation, other than contracts entered into in the ordinary course of business, that are material to the Corporation and that were entered into by the Corporation within the most recently completed financial year or before the most recently completed financial year if the material contract is still in effect, other than as follows:

1. an underwriting agreement dated as of June 26, 2020 among the Corporation, Beacon Securities Limited, Canaccord Genuity Corp. entered into in connection with the July 2020 Bought Deal;
2. a warrant indenture dated as of July 3, 2020 between the Corporation and Odyssey Trust Company entered into in connection with the July 2020 Bought Deal;
3. an underwriting agreement dated as of August 26, 2020 among the Corporation, Beacon Securities Limited and Canaccord Genuity Corp. entered into in connection with the September 2020 Bought Deal;
4. a warrant indenture dated as of September 10, 2020 between the Corporation and Odyssey Trust Company entered into in connection with the September 2020 Bought Deal;
5. an underwriting agreement dated as of October 23, 2020 among the Corporation, Canaccord Genuity Corp. and Beacon Securities Limited entered into in connection with the November 2020 Bought Deal;
6. a warrant indenture dated as of November 5, 2020 between the Corporation and Odyssey Trust Company entered into in connection with the November 2020 Bought Deal;
7. the State of Nevada Adult-Use Retail Marijuana Store Certificate (2548 W. Desert Inn Road, Las Vegas, Nevada 89118)<sup>19</sup>;
8. the State of Nevada Medical Marijuana Dispensary Registration Certificate (2548 W. Desert Inn Road, Las Vegas, Nevada 89118);<sup>19</sup>
9. the State of Nevada Medical Marijuana Cultivation Facility Certificate (4280 Wagon Trail Avenue, Las Vegas, Nevada 89118);
10. the State of Nevada Medical Marijuana Production Registration Certificate (4280 Wagon Trail Avenue, Las Vegas, Nevada 89118);<sup>20</sup>
11. the State of Nevada Adult-Use Marijuana Product Manufacturing Certificate (4280 Wagon Trail Avenue, Las Vegas, Nevada 89118);<sup>20</sup>
12. the State of Nevada Adult-Use Marijuana Cultivation Registration Certificate (4280 Wagon Trail Avenue, Las Vegas, Nevada 89118);
13. the State of Nevada Medical and Adult-Use Marijuana Production Registration Certificates (100 Airport Road, Beatty, Nevada 89003);
14. the State of Nevada Medical and Adult-Use Marijuana Cultivation Facility Certificates (100 Airport Road, Beatty, Nevada 89003);
15. the Planet 13 Superstore Lease;
16. the cultivation and production facility lease located at 4280 Wagon Trail Avenue, Las Vegas, Nevada 89118;

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<sup>19</sup> Transferred from 4850 W. Sunset Rd., Suite 100, Las Vegas, NV 89118 location effective October 31, 2018.

<sup>20</sup> Transferred from 4280 Wagon Trail Ave, Las Vegas, NV 89118 location to 2548 West Desert Inn Road, Suite 130 effective October 30, 2019.

17. an acquisition agreement entered into among the Corporation, BLC Management Company, LLC, Newtonian, and Newtonian's individual owners on December 20, 2019, as amended on April 16, 2020 and further amended on May 20, 2020, in connection with the Santa Ana Acquisition;
18. the WCDN Asset Acquisition Agreement;
19. the California License (3400 Warner Avenue, #F-1, Santa Ana, California 92704);
20. the Santa Ana Permit (3400 Warner Avenue, #F-1, Santa Ana, California 92704);
21. the State of Nevada Adult-Use Production License Registration Certificate (4801 W Bell Drive, Las Vegas, Nevada 89118);
22. the State of Nevada Adult-Use Cultivation License Registration Certificate (4801 W Bell Drive, Las Vegas, Nevada 89118);
23. the State of Nevada Medical Production License Registration Certificate (4801 W Bell Drive, Las Vegas, Nevada 89118);
24. the State of Nevada Medical Cultivation License Registration Certificate (4801 W Bell Drive, Las Vegas, Nevada 89118);
25. the State of Nevada Adult-use Retail Store License Registration Certificate (4850 W Sunset Road, Las Vegas, Nevada 89118); and
26. the West Bell Lease; and
27. the Santa Ana Lease

#### **INTERESTS OF EXPERTS**

The auditors of the Corporation since September 24, 2019 are Davidson & Company LLP, Chartered Professional Accountants at its office located at 1200-609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6. Prior to the appointment of Davidson & Company LLP, the auditors of the Corporation were MNP LLP, Chartered Professional Accountants, at its office located at 111 Richmond St W #300, Toronto, Ontario, M5H 2G4, Canada.

No person or corporation whose profession or business gives authority to a statement made by the person or corporation and who is named as having prepared or certified a part of this AIF or as having prepared or certified a report or valuation described or included in this AIF holds any beneficial interest, direct or indirect, in any securities or property of the Corporation or of an Associate or Affiliate of the Corporation and no such person is expected to be elected, appointed or employed as a director, senior officer or employee of the Corporation or of an Associate or Affiliate of the Corporation and no such person is a promoter of the Corporation or an Associate or Affiliate of the Corporation. MNP LLP was independent of the Corporation during the period during which it was the auditor of the Corporation in accordance with the rules of professional conduct of the Institute of Chartered Professional Accountants of Ontario. Davidson & Company LLP, Chartered Professional Accountants, is independent of the Corporation in accordance with the rules of professional conduct of the Institute of Chartered Professional Accountants of Ontario.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Corporation's website at [www.planet13holdings.com](http://www.planet13holdings.com). Additional information, including information concerning directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, where applicable, will be contained in the management proxy circular of the Corporation for its annual shareholders' meeting to be held in 2021.

Additional financial information is contained in the Corporation's audited financial statements and MD&A for the most recently completed financial year, copies of which have been filed with the securities regulatory authorities in the provinces of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland, Nova Scotia, Ontario, Prince Edward Island, Quebec, and Saskatchewan. Such documents, as well as additional information about the Corporation, may be found under the Corporation's issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com).

**Appendix "A" - CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS  
OF PLANET 13 HOLDINGS INC.**

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**1. ROLE AND OBJECTIVE**

The Audit Committee (the "**Committee**") is appointed by and reports to the board of directors (the "**Board**") of Planet 13 Holdings Inc. (the "**Corporation**"). The Committee assists the Board in fulfilling its oversight responsibilities relating to financial accounting and reporting process and internal controls for the Corporation.

The Committee and its membership shall to the best of its ability, knowledge and acting reasonably, meet all applicable legal, regulatory and listing requirements, including, without limitation, those of any stock exchange on which the Corporation's shares are listed, the *Canada Business Corporations Act* (the "**CBCA**"), and all applicable securities regulatory authorities.

**2. COMPOSITION**

- The Committee shall be composed of three or more directors as shall be designated by the Board from time to time.
- A majority of members of the Committee shall be "independent"; and all shall be financially literate (as such terms are defined under applicable securities laws and exchange requirements for audit committee purposes).
- Each member of the Committee shall be able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement.
- At least one member of the Committee shall have sufficient experience to be considered a Financial Expert, where such is determined by having been a chief financial officer, chartered or certified public accountant, certified management accountant, or partner of an accounting firm.
- Members of the Committee shall be appointed at a meeting of the Board, typically held immediately after the annual shareholders' meeting. Each member shall serve until his/her successor is appointed unless he/she shall resign or be removed by the Board or he/she shall otherwise cease to be a director of the Corporation. Any member may be removed or replaced at any time by the Board.
- Where a vacancy occurs at any time in the membership of the Committee, it may be filled by a vote of a majority of the Board.
- A Chair of the Committee shall be designated by the Board or, if it does not do so, the members of the Committee shall elect a chair by vote of a majority of the full Committee membership. The Chair of the Committee shall be an independent director (as described above), and as detailed herein is charged with the responsibility of oversight over matters detailed in this Charter.
- If the Chair of the Committee is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside.
- The Chair of the Committee presiding at any meeting shall not have a casting vote.
- The Committee shall appoint a secretary (the "**Secretary**") who need not be a member of the Committee or a director of the Corporation. The Secretary shall keep minutes of the meetings of the Committee. This role is normally filled by the Secretary of the Corporation.
- No Committee member shall simultaneously serve on the audit committee of more than two other public companies with active business operations or significant assets.

### 3. MEETINGS

- The Committee shall meet at least quarterly, at the discretion of the Chair or a majority of its members, as circumstances dictate or as may be required by applicable legal or listing requirements, provided that meetings of the Committee shall be convened whenever requested by the external auditors (the "**Independent Auditors**") or any member of the Committee in accordance with the CBCA.
- The Chair of the Committee, or his or her designee, shall prepare and/or approve an agenda in advance of each meeting.
- Notice of the time and place of every meeting may be given orally, in writing, by facsimile or by e-mail to each member of the Committee at least 48 hours prior to the time fixed for such meeting.
- A member may in any manner waive notice of the meeting. Attendance of a member at the meeting shall constitute waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called.
- Any member of the Committee may participate in the meeting of the Committee by means of conference telephone or other communication equipment, and the member participating in a meeting pursuant to this paragraph shall be deemed, for purposes hereof, to be present in person at the meeting.
- A majority of Committee members, present in person, by video-conference, by telephone or by a combination thereof, shall constitute a quorum.
- If within one hour of the time appointed for a meeting of the Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, such meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the second adjourned meeting a quorum as hereinbefore specified is not present, the quorum for the adjourned meeting shall consist of the members then present.
- If and whenever a vacancy shall exist, the remaining members of the Committee may exercise all of its powers and responsibilities so long as a quorum remains in office for no more than six months, at which time the vacancy will be filled by a vote of a majority of the Board.
- At all meetings of the Committee, every question shall be decided by a majority of the votes cast. In case of an equality of votes, the matter will be referred to the Board for decision. Any decision or determination of the Committee reduced to writing and signed by all of the members of the Committee shall be fully effective as if it had been made at a meeting duly called and held.
- The co-Chief Executive Officers (the "**co-CEOs**") and the Chief Financial Officer (the "**CFO**") of the Corporation are expected to be available to attend meetings, but a portion of every meeting will be reserved for in camera discussion without the co-CEOs or CFO, or any other member of management, being present.
- The Committee may by specific invitation have other resource persons in attendance such officers, directors and employees of the Corporation and its subsidiaries, and other persons, including the Independent Auditors, as it may see fit, from time to time, to attend at meetings of the Committee.
- The Board may at any time amend or rescind any of the provisions hereof, or cancel them entirely, with or without substitution.
- The Committee shall have the right to determine who shall and who shall not be present at any time during a meeting of the Committee.
- Minutes of Committee meetings shall be sent to all Committee members.
- The Chair of the Committee shall report periodically the Committee's findings and recommendations to the Board.

#### 4. RESOURCES AND AUTHORITY

- The Committee shall have access to such officers and employees of the Corporation and its subsidiaries and to such information with respect to the Corporation and its subsidiaries as it considers being necessary or advisable in order to perform its duties and responsibilities.
- The Committee shall have the authority to obtain advice and assistance from internal or external legal, accounting or other advisors and resources, as it deems advisable, at the expense of the Corporation.
- The Committee shall have the authority to communicate directly with the internal and external auditors.

#### 5. RESPONSIBILITIES

##### A. Chair

To carry out its oversight responsibilities, the Chair of the Committee shall undertake the following:

- provide leadership to the Committee with respect to its functions as described in this Charter and as otherwise may be appropriate, including overseeing the logistics of the operations of the Committee;
- chair meetings of the Committee, unless not present (including in camera sessions), and reports to the Board following each meeting of the Committee on the findings, activities and any recommendations of the Committee;
- ensures that the Committee meets on a regular basis and at least four times per year;
- in consultation with the Committee members, establishes a calendar for holding meetings of the Committee;
- establish the agenda for each meeting of the Committee, with input from other Committee members, and any other parties, as applicable;
- ensures that Committee materials are available to any director on request;
- acts as liaison and maintains communication with the Chair of the Board (or Lead Director if an individual other than the Chair) and the Board to optimize and coordinate input from Board members, and to optimize the effectiveness of the Committee. This includes, at least annually and at such other times and in such manner as the Committee considers advisable, reporting to the full Board on:
  - all proceedings and deliberations of the Committee;
  - the role of the Committee and the effectiveness of the Committee in contributing to the objectives and responsibilities of the Board as a whole; and
  - principal operating and business risks identified by management and how each are either mitigated or managed.
- ensure that the members of the Committee understand and discharge their duties and obligations;
- foster ethical and responsible decision making by the Committee and its individual members;
- encourage Committee members to ask questions and express viewpoints during meetings;
- together with the Corporate Governance and Nominating Committee (the "**CG&N Committee**"), oversee the structure, composition, membership and activities delegated to the Committee from time to time;
- ensure that resources and expertise are available to the Committee so that it may conduct its work effectively and efficiently and pre-approve work to be done for the Committee by consultants;
- facilitate effective communication between members of the Committee and management;

- encourage the Committee to meet in separate, regularly scheduled, non-management, closed sessions with the Independent Auditors;
- attend each meeting of shareholders to respond to any questions from shareholders as may be put to the Chair; and
- perform such other duties and responsibilities as may be delegated to the Chair by the Board from time to time.

## **B. The Committee**

The Committee has the authority to conduct any investigation appropriate to its responsibilities, and it may request the Independent Auditors as well as any officer of the Corporation, or legal counsel for the Corporation, to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee. The Committee shall have unrestricted access to the books and records of the Corporation and has the authority to retain, at the expense of the Corporation, special legal, accounting, or other consultants or experts to assist in the performance of the Committee's duties.

The Committee is hereby delegated the duties and powers specified in the CBCA and, without limiting these duties and powers, the Committee will carry out the following responsibilities:

### Financial Accounting and Reporting Process and Internal Controls

- review the annual audited financial statements and annual management's discussion and analysis relating to the annual audited financial statements to satisfy itself that they are presented in accordance with either International Financial Reporting Standards ("IFRS") or Canadian Generally Accepted Accounting Principles (collectively, "**applicable Accounting Principles**"), and report thereon to the Board and recommend to the Board whether or not same should be approved prior to their being filed with the appropriate regulatory authorities. The Committee shall also review and approve the interim financial statements, management's discussion and analysis relating to annual and interim financial statements, annual and interim earnings press releases and any other public disclosure documents that are required to be reviewed by the Committee under any applicable laws before the Corporation publicly discloses this information and/or prior to their being filed with the appropriate regulatory authorities. The Committee shall discuss significant issues regarding applicable Accounting Principles, practices, and judgments of management with management and the Independent Auditors as and when the Committee deems it appropriate to do so. The Committee shall satisfy itself that the information contained in the annual audited financial statements, the interim financial statements and management's discussion and analysis relating to such annual and interim financial statements is not significantly erroneous, misleading or incomplete and that the audit and review functions have been effectively carried out.
- review management's internal control report. In consultation with the Independent Auditors the Committee shall assess the integrity of management's risk assessments and internal controls over financial reporting and disclosure controls and procedures and ensure implementation of such controls and procedures.
- be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, and periodically assess the adequacy of these procedures.
- meet no less frequently than annually with the Independent Auditors and the Chief Financial Officer or, in the absence of a Chief Financial Officer, with the officer of the Corporation in charge of financial matters, to review accounting practices, internal controls and such other matters as the Committee, Chief Financial Officer or, in the absence of a Chief Financial Officer, with the officer of the Corporation in charge of financial matters, deems appropriate.

- inquire of management and the Independent Auditors about significant risks or exposures, both internal and external, to which the Corporation may be subject, and assess the steps management has taken to minimize such risks.
- review the post-audit or management letter containing the recommendations of the Independent Auditors and management's response and subsequent follow-up to any identified weaknesses.
- oversee the Corporation's plans to adopt changes to policy choices under applicable Accounting Principles, and related disclosure obligations.
- in consultation with the CG&N Committee, ensure that there is an appropriate standard of corporate conduct including, if necessary, adopting and overseeing a corporate code of ethics for senior financial personnel.
- establish procedures for the receipt, retention and treatment of:
  - complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
  - confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting, internal accounting controls or auditing matters.
- provide oversight to related party transactions entered into by the Corporation.

#### Independent Auditors

- recommend to the Board for approval by shareholders, the selection, appointment and compensation of the Independent Auditors;
- be directly responsible for oversight of the Independent Auditors and the Independent Auditors shall report directly to the Committee.
- ensure the lead audit partner and the other audit partners (if any) at the Independent Auditor is replaced in compliance with applicable laws.
- be directly responsible for overseeing the work of the Independent Auditors, including the resolution of disagreements between management and the Independent Auditors regarding financial reporting.
- with reference to the procedures outlined separately in "*Procedures for Approval of Non-Audit Services*" (attached hereto as Schedule I), pre-approve all audit and non-audit services not prohibited by law to be provided by the Independent Auditors.
- monitor and assess the relationship between management and the Independent Auditors and monitor, confirm, support and assure the independence and objectivity of the Independent Auditors.
- review the Independent Auditors' audit plan, including scope, procedures, timing and staffing of the audit.
- review the results of the annual audit with the Independent Auditors, including matters related to the conduct of the audit, and receive and review the auditor's interim review reports.
- obtain timely reports from the Independent Auditors describing critical accounting policies and practices, alternative treatments of information within applicable Accounting Principles that were discussed with management, their ramifications, and the Independent Auditors' preferred treatment and material written communications between the Corporation and the Independent Auditors.
- review fees paid by the Corporation to the Independent Auditors and other professionals in respect of audit and non-audit services on an annual basis.

- review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former auditors of the Corporation.

#### Other Responsibilities

- perform any other activities consistent with this Charter and governing law, as the Committee or the Board deems necessary or appropriate;
- institute and oversee special investigations, as needed; and
- review and assess the adequacy of this Charter annually and submit any proposed revisions to the Board for approval.

## Schedule I

### Procedures for Approval of Non-Audit Services

1. The external auditors to Planet 13 Holdings Inc. (the "**Corporation**") shall be prohibited from performing for the Corporation the following categories of non-audit services:
  - (a) bookkeeping or other services related to the Corporation's accounting records or financial statements;
  - (b) financial information systems design and implementation;
  - (c) appraisal or valuation services, fairness opinion or contributions-in-kind reports;
  - (d) actuarial services;
  - (e) internal audit outsourcing services;
  - (f) management functions;
  - (g) human resources;
  - (h) broker or dealer, investment adviser or investment banking services;
  - (i) legal services;
  - (j) expert services unrelated to the audit; and
  - (k) any other service that the Canadian Public Accountability Board or any other applicable regulatory authority determines is impermissible.
  
2. In the event that the Corporation wishes to retain the services of the Corporation's external auditors for minimal non-audit services (e.g. tax compliance, tax advice or tax planning), the Chief Financial Officer of the Corporation shall consult with the Chair of the Audit Committee of the Board of Directors (the "**Committee**"), who shall have the authority to approve or disapprove on behalf of the Committee, such non-audit services in accordance with the requirements set forth under the "Exemption for minimal non-audit services" provided by Section 2.3 (4) of National Instrument 52-110 - *Audit Committees*, whereby:
  - (a) the aggregate fees paid for all the non-audit services that are not approved by the Committee is reasonably expected to constitute no more than five per cent of the aggregate fees paid by the Corporation and its subsidiary entities to the Corporation's external auditor during the financial year in which the services are provided;
  - (b) the Corporation or the subsidiary entity of the issuer, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
  - (c) once recognized as non-audit services, the services are promptly brought to the attention of the Committee of the issuer and approved, prior to the completion of the audit, by the Committee.
  
3. All other non-audit services shall be approved or disapproved by the Committee as a whole as set forth herein.
  
4. The Chief Financial Officer of the Corporation shall maintain a record of non-audit services approved by the Chair of the Committee or the Committee for each fiscal year and provide a report to the Committee no less frequently than on a quarterly basis.