



MANAGEMENT DISCUSSION AND ANALYSIS
OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024

Expressed in United States Dollars

Dated: November 8, 2024

The Management's Discussion and Analysis of Financial Condition and Results of Operations for Planet 13 Holdings Inc. is also included in the Form 10-Q for the three and nine months ended September 30, 2024, filed on SEDAR+ on November 8, 2024, in its entirety.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

This management’s discussion and analysis (“**MD&A**”) of the financial condition and results of operations of Planet 13 is for the three and nine months ended September 30, 2024. It is supplemental to, and should be read in conjunction with, our unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2024 and 2023, and the accompanying notes presented herein. Our financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“**GAAP**”). Financial information presented in this MD&A is presented in United States dollars (“\$”, “USD” or “US\$”), unless otherwise indicated.

In this MD&A, unless the context otherwise requires, the terms “**we**,” “**us**,” “**our**,” “**Company**,” or “**Planet 13**” refer to Planet 13 Holdings Inc. together with its wholly-owned subsidiaries.

This MD&A contains certain “forward-looking statements” and certain “forward-looking information” as defined under applicable United States and Canadian securities laws. Please refer to the discussion of forward-looking statements and information set out under the heading “Disclosures Regarding Forward-Looking Statements,” identified in this Quarterly Report on Form 10-Q. As a result of many factors, our actual results may differ materially from those anticipated in these forward-looking statements and information.

Overview of the Company

We are a multi-state cannabis operator with licenses to operate in Nevada, California, Florida, and Illinois. We are headquartered in Las Vegas, Nevada, at 4675 West Teco Ave, Suite 250. A detailed description of our corporate history and our business can be found in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, as filed with the Securities and Exchange Commission (“**SEC**”) on March 13, 2024.

As of September 30, 2024, we employed approximately 1,000 people and remain focused on providing our customers with the best products, best services, and an experiential shopping experience at our superstore-themed dispensaries, while expanding our products and sales through neighborhood stores. Each of our state operations is held in state-focused subsidiaries: (a) Newtonian Principles, Inc. for California licensed cannabis dispensing and distribution activities, (b) Next Green Wave, LLC for California licensed cannabis cultivation, production and distribution activities, (c) MM Development Company, Inc. for all licensed Nevada cannabis cultivation, production, distribution, and dispensing activities, (d) VidaCann, LLC (“**VidaCann**”) which holds our Florida Medical Marijuana Treatment Center (“**MMTC**”) license, and (e) Planet 13 Illinois, LLC (“**Planet 13 Illinois**”) which holds our Illinois social-equity justice impaired dispensing license. We have focused on our large-store dispensing stores as superstores which offer an experiential approach to our customers, including drones, robotics, 3-D mapping projection, cannabis-culture inspired social-media backdrops for customer interaction, customer facing production, one-on-one sales staffing and customer education, and other interactive marketing elements to differentiate from more traditional dispensing locations, which we refer to herein as “neighborhood stores”. Each of our cannabis facilities is state-licensed as an adult-use cannabis facility, a medical cannabis facility, or a dual-use facility allowing for both adult-use and medical cannabis licensed activity, as designated below in the state-by-state breakdown.

Nevada

As of September 30, 2024, we held the following licensed cannabis operations in Nevada: (a) one dispensary superstore adjacent to the Las Vegas Strip with 24,000 square feet of licensed dispensary (the “**Planet 13 Las Vegas Superstore**”), (b) one “neighborhood store” at 2,300 square feet of licensed dispensary (the “**Medizin dispensary**”), (c) one 2,300 square foot consumption lounge co-located with the Planet 13 Las Vegas Superstore, (d) three production facilities, one of which is co-located and customer-facing at the superstore in Las Vegas with 18,500 square feet of licensed production, (e) three cultivation facilities, one with approximately 16,100 square foot indoor cultivation facility under perpetual harvest cycle, a second with 45,000 square feet co-located with our production license at that facility, and one small indoor rural site in Beatty, Nevada that is expandable up to 2,300,000 square feet of greenhouse located on 80-acres owned by us, also co-located with our production license at that facility, and (f) one distribution license.

At the Planet 13 Las Vegas Superstore, we also offer ancillary services to our customers, including a restaurant with a liquor license (presently closed as we work to attract a new restaurant operator to the location) and a non-cannabis retail store, and an upcoming event space with a full bar. In addition, we lease space to a tattoo and piercing provider.

California

As of September 30, 2024, we held the following licensed operations in California: (a) an adult-use and medical dispensary superstore co-located with a distribution license at our 33,000 square foot facility in Santa Ana which we built and opened on July 1, 2021 (the “**Planet 13 OC Store**”), (b) an adult-use medium indoor cultivation license co-located with a distribution license at our 35,000 square foot facility in Coalinga, and (c) an adult-use manufacturer Type 6 license at a 4,000 square foot facility in Coalinga.

Florida

As of September 30, 2024, we are continuing capital outlays to advance the retail store footprint of our recently acquired VidaCann LLC subsidiary. We have a retail store network of 27 stores currently open, with an additional five under various stages of construction that are expected to open by the end of 2024. In addition, we are continuing with capital expenditures on the VidaCann Cultivation facility, adding upgraded lighting, HVAC and dehumidification to improve the consistency and quality of the flower being produced. The total capacity is 300,000 square feet of lighted greenhouse cultivation space. In addition to the cultivation facility, we have a processing facility and analytical lab located south of Jacksonville, Florida. The MMTCs are vertically integrated and the only businesses in Florida authorized to dispense medical marijuana cannabis to qualified patients and caregivers. MMTCs are authorized to cultivate, process, transport and dispense medical marijuana. As of September 30, 2024, there were 25 companies with MMTC licenses in Florida, several of which are not yet operational. License holders are not subject to restrictions on the number of dispensaries that may be opened or on the number or size of cultivation and processing facilities they may operate.

Illinois

As of September 30, 2024, we held a social justice impaired adult-use dispensing license in Waukegan, Illinois at an approximately 8,000 square foot building on 1.9 acres. The dispensary opened on December 4, 2023. The town of Waukegan is a suburb of the greater Chicago area and close to the Illinois-Wisconsin state border.

COVID-19 Pandemic Update for Third Quarter 2024

The long-term economic impact of COVID-19 remains unknown and may result in significant impact or changes to ongoing international or national fiscal or enforcement policies, inflation, supply chains, customer purchasing and shopping habits, and other key metrics, any of which could have a significant or material negative effect on the Company.

Recent Developments

None.

Results of Operations

| <i>Expressed in USD\$</i> | Three Months Ended | | Percentage Change |
|--|---------------------------|---------------------------|--------------------------|
| | September 30, 2024 | September 30, 2023 | |
| Revenue | | | |
| Net revenue | 32,159,070 | 24,788,239 | 29.7% |
| Cost of Goods Sold | (15,463,050) | (13,715,307) | 12.7% |
| Gross Profit | 16,696,020 | 11,072,932 | 50.8% |
| Gross Profit Margin % | 51.9% | 44.7% | |
| Expenses | | | |
| General and Administrative | 14,772,846 | 11,340,678 | 30.3% |
| Sales and Marketing | 1,572,549 | 1,348,266 | 16.6% |
| Lease expense | 1,320,018 | 767,860 | 71.9% |
| Impairment loss | — | 39,649,448 | - |
| Depreciation and Amortization | 2,355,052 | 1,965,607 | 19.8% |
| Total Expenses | 20,020,465 | 55,071,859 | (63.6)% |
| Income (Loss) From Operations | (3,324,445) | (43,998,927) | (92.4)% |
| Other Income (Expense): | | | |
| Interest income, net | 30,263 | 10,834 | 179.3% |
| Foreign exchange gain (loss) | (3,066) | 203 | (1610.3)% |
| Other income (expense), net | 376,717 | 98,861 | 281.1% |
| Total Other Income | 403,914 | 109,898 | 267.5% |
| Loss for the period before tax | (2,920,531) | (43,889,029) | (93.3)% |
| Provision for income tax (current and deferred) | 4,490,659 | 2,365,207 | 89.9% |
| Loss for the period | (7,411,190) | (46,254,236) | (84.0)% |
| Loss per share for the period | | | |
| Basic and fully diluted income (loss) per share | \$ (0.02) | \$ (0.21) | |
| Weighted Average Number of Shares Outstanding | | | |
| Basic and diluted | 325,163,800 | 222,080,513 | |

| <i>Expressed in USD\$</i> | Nine Months Ended | | Percentage Change |
|--|-----------------------|-----------------------|----------------------|
| | September 30, 2024 | September 30, 2023 | |
| Revenue | | | |
| Net revenue | 86,124,795 | 75,536,347 | 14.0% |
| Cost of Goods Sold | (43,107,569) | (41,698,369) | 3.4% |
| Gross Profit | 43,017,226 | 33,837,978 | 27.1% |
| Gross Profit Margin % | 49.9% | 44.8% | |
| Expenses | | | |
| General and Administrative | 37,075,341 | 33,567,055 | 10.5% |
| Sales and Marketing | 4,380,926 | 4,016,503 | 9.1% |
| Lease expense | 3,140,575 | 2,346,885 | 33.8% |
| Impairment loss | 2,393,087 | 39,649,448 | - |
| Depreciation and Amortization | 6,559,123 | 6,187,650 | 6.0% |
| Total Expenses | 53,549,052 | 85,767,541 | (37.6)% |
| Income (Loss) From Operations | (10,531,826) | (51,929,563) | (79.7)% |
| Other Income (Expense): | | | |
| Interest income, net | 139,405 | 159,728 | (12.7)% |
| Foreign exchange gain (loss) | (13,108) | 6,318 | (307.5)% |
| Change in fair value of warrants | — | 18,127 | (100.0)% |
| Provision for misappropriated funds | — | (2,000,000) | (100.0)% |
| Other income (expense), net | (67,013) | 1,956,064 | (103.4)% |
| Total Other Income | 59,284 | 140,237 | (57.7)% |
| Loss for the period before tax | (10,472,542) | (51,789,326) | (79.8)% |
| Provision for income tax (current and deferred) | 10,885,563 | 7,561,151 | 44.0% |
| Loss for the period | (21,358,105) | (59,350,477) | (64.0)% |
| Loss per share for the period | | | |
| Basic and fully diluted income (loss) per share | \$ (0.08) | \$ (0.27) | |
| Weighted Average Number of Shares Outstanding | | | |
| Basic and diluted | 281,087,233 | 221,712,138 | |

We experienced an increase in net revenue of 29.7% during the three months ended September 30, 2024 and an increase of 14.0% during the nine months ended September 30, 2024 when compared to the three and nine months ended September 30, 2023. The increase is primarily attributable to the acquisition of VidaCann that closed on May 10, 2024. The results for the nine months ended September 30, 2024 include four months and 21 days of VidaCann operations that were not owned by the Company in the prior year period. The addition of revenue from the VidaCann operations more than offset the reduction in the number of customers and size of the average ticket at our Planet 13 Las Vegas Superstore location compared to the prior year periods. Wholesale revenue in California and Nevada decreased by \$1,164,380 during the three months ended September 30, 2024 and decreased by \$2,895,244 during the nine months ended September 30, 2024 when compared to the prior year periods. Overall, net revenue increased by \$7,370,831 during the three months ended September 30, 2024 when compared to the three months ended September 30, 2023, and revenue increased by \$10,588,448 during the nine months ended September 30, 2024 when compared to the nine months ended September 30, 2023. We believe that increased inflation, including the increase in the price of gasoline and the increase in interest rates up to the first interest rate cut in three years on September 18, 2024, combined to reduce the disposable income of our customers during the three and nine months ended September 30, 2024 and also had an impact on the number of customers and tourists visiting the Planet 13 Las Vegas Superstore and our other retail locations during both the three and nine months ended September 30, 2024 when compared to the prior year periods. These declines were more than offset by the inclusion of the VidaCann operations.

[Table of Contents](#)

Details of net revenue by product category are as follows:

| | Three Months Ended | | Percentage Change |
|----------------------------|-------------------------------|-------------------------------|------------------------------|
| | September 30, 2024 | September 30, 2023 | |
| Flower | \$ 12,186,833 | \$ 8,067,814 | 51.1% |
| Concentrates | 10,118,100 | 7,097,302 | 42.6% |
| Edibles | 4,771,498 | 3,913,228 | 21.9% |
| Topicals and Other Revenue | 1,882,233 | 1,345,109 | 39.9% |
| Wholesale | 3,200,406 | 4,364,786 | (26.7)% |
| Net revenue | \$ 32,159,070 | \$ 24,788,239 | 29.7% |

| | Nine Months Ended | | Percentage Change |
|----------------------------|-------------------------------|-------------------------------|------------------------------|
| | September 30, 2024 | September 30, 2023 | |
| Flower | \$ 30,997,127 | \$ 24,079,127 | 28.7% |
| Concentrates | 26,756,157 | 21,206,920 | 26.2% |
| Edibles | 13,603,796 | 12,872,103 | 5.7% |
| Topicals and Other Revenue | 4,262,969 | 3,978,207 | 7.2% |
| Wholesale | 10,504,746 | 13,399,990 | (21.6)% |
| Net revenue | \$ 86,124,795 | \$ 75,536,347 | 14.0% |

Gross profit margin for the three months ended September 30, 2024 was 51.9% compared to 44.7% for the three months ended September 30, 2023 and was 49.9% for the nine months ended September 30, 2024 compared to 44.8% for the nine months ended September 30, 2023. The increase in gross profit margin for the three and nine months ended September 30, 2024 was a result of a decrease in retail sales incentives during the period and a reduction in the level of wholesale revenue, both from our Nevada and California wholesale operations, that have an inherently lower gross margin than retail sales revenue.

The costs of internal cultivation have continued to trend down as we continue to improve our yields and cultivation efficiency across all of our cultivation facilities. In addition, margin enhancement through the creation of internally generated brands, such as TRENDI, HaHa Gummies, Dreamland Chocolate, HaHa Beverages and Medizin, that were sold in our own stores continued to have a positive impact on gross margins during the three and nine months ended September 30, 2024, helping to partially offset the lower margins received on the sale of wholesale product and sales to local customers in the State of Nevada. Margins on retail sales from the 21 weeks of VidaCann operations also had a positive impact on the overall level of gross margins. We anticipate that margins will trend upward as tourist customers return to Las Vegas and the Planet 13 Las Vegas Superstore in greater numbers and through our ability to produce our award-winning brands in California and introduce those brands into our Planet 13 OC store and across the Florida store network.

Our premium cultivation facilities in Nevada and California were operating near capacity during the three and nine months ended September 30, 2024 and September 30, 2023, respectively. The amount of cannabis grown during the period increased when compared to the prior year period due to higher yields across all of our cultivation facilities during the period. The wholesale flower market in California continues to stabilize, and we have seen increases in both demand and the price received for premium indoor-grown flower during the three and nine months that ended September 30, 2024. The VidaCann cultivation operations were also operating at or near capacity during the four months that they were owned by Planet 13. Seasonality in the product quality of greenhouse-grown flower during the June to September period, especially in houses that have not yet been optimized, led to decreased consumer demand for our products in the Florida market during the period we owned the VidaCann operations. Improvements through the addition of HVAC, Dehumidification, upgraded lighting, and irrigation systems are already having a positive impact on product quality, and we expect that this will remove the seasonal variability in product quality going forward. Our plan includes upgrading all the greenhouses to this new standard. This should increase the availability of premium flower and other products across the Florida store network.

[Table of Contents](#)

Overall gross profit was \$16,696,020 and \$11,072,932 for the three months ended September 30, 2024 and 2023 respectively, an increase of 50.8%, and was \$43,017,226 and \$33,837,978 for the nine months ended September 30, 2024 and 2023, respectively, an increase of 27.1%. General and Administrative (“G&A”) expenses (which include non-cash share-based compensation expenses) increased by 30.3% during the three months ended September 30, 2024 when compared to the three months ended September 30, 2023 and increased by 10.5% for the nine months ended September 30, 2024 compared to September 30, 2023. Overall, excluding non-cash share-based compensation expenses, G&A expenses as a percentage of revenue equaled 45.9% for the three months ended September 30, 2024, (42.9% for the nine months ended September 30, 2024) compared to 43.3% for the three months ended September 30, 2023. (41.9% for the nine months ended September 30, 2023).

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

| | Three Months Ended | | Percentage Change |
|---|---------------------------|----------------------|--------------------------|
| | September 30, 2024 | September 30, 2023 | |
| Salaries and wages | \$ 7,267,296 | \$ 3,873,582 | 87.6% |
| Share-based compensation expense | 25,416 | 602,977 | (95.8)% |
| Executive compensation | 869,415 | 701,329 | 24.0% |
| Licenses and permits | 745,350 | 594,162 | 25.4% |
| Payroll taxes and benefits | 1,113,463 | 826,827 | 34.7% |
| Supplies and office expenses | 455,794 | 408,404 | 11.6% |
| Subcontractors | (0) | 527,039 | (100.0)% |
| Professional fees (legal, audit and other) | 2,018,888 | 2,312,808 | (12.7)% |
| Miscellaneous general and administrative expenses | 2,277,224 | 1,493,550 | 52.5% |
| | <u>\$ 14,772,846</u> | <u>\$ 11,340,678</u> | <u>30.3%</u> |

| | Nine Months Ended | | Percentage Change |
|---|---------------------------|----------------------|--------------------------|
| | September 30, 2024 | September 30, 2023 | |
| Salaries and wages | \$ 16,019,641 | \$ 11,417,701 | 40.3% |
| Share-based compensation expense | 154,893 | 1,926,595 | (92.0)% |
| Executive compensation | 2,173,653 | 2,168,610 | 0.2% |
| Licenses and permits | 1,897,750 | 1,845,608 | 2.8% |
| Payroll taxes and benefits | 3,080,493 | 2,556,998 | 20.5% |
| Supplies and office expenses | 795,731 | 1,074,602 | (26.0)% |
| Subcontractors | 182,042 | 1,559,001 | (88.3)% |
| Professional fees (legal, audit and other) | 6,882,102 | 6,898,241 | (0.2)% |
| Miscellaneous general and administrative expenses | 5,889,036 | 4,119,699 | 42.9% |
| | <u>\$ 37,075,341</u> | <u>\$ 33,567,055</u> | <u>10.5%</u> |

Non-cash, share-based compensation of \$25,416 was recognized during the three months ended September 30, 2024, decreasing from \$602,977 that was recognized during the three months ended September 30, 2023. During the nine months ended September 30, 2024, non-cash, share-based compensation expense of \$154,893 was recognized compared to \$1,926,595 for the nine months ended September 30, 2023. The decrease is attributable to the vesting schedule for both Restricted Share Units (“RSUs”) and incentive stock options that were previously granted, particularly the net 3,954,213 RSUs that were granted on April 18, 2021, that vested 1/3 on December 1, 2021 and 1/3 on December 1, 2022, and 1/3 on December 1, 2023. Compared to the 485,185 RSUs granted on March 22, 2024, of which 185,185 vested immediately. These amounts are non-cash, and the expense is recognized in accordance with the vesting schedule of the underlying stock options and RSUs. See Note 12 to our audited consolidated financial statements filed with our Annual Report on Form 10-K for the year ended December 31, 2023, for additional details on the assumptions used to calculate fair value as well as information regarding the vesting of the various components of the non-cash share-based compensation.

Sales and marketing expenses increased by 16.6% or \$224,283 during the three months ended September 30, 2024 when compared to the three months ended September 30, 2023, (increased by 9.1% or \$364,423 for the nine months ended September 30, 2024, when compared to the nine months ended September 30, 2023). The increase was a result of us continuing to refine our marketing efforts to optimize marketing spend on initiatives that drive increased customer traffic to the Planet 13 Las Vegas Superstore, the Planet 13 OC Superstore, and the Medizin dispensary in Nevada as well as the addition of sales and marketing activities related to our Florida operations.

[Table of Contents](#)

Lease expense increased by 71.9% during the three months ended September 30, 2024, when compared to the three months ended September 30, 2023 (increased 33.8% during the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023) due to the addition of a number of Florida locations as well as increases in the amount of contracted lease rates for our leased properties during the period.

Depreciation and amortization increased by 19.8% during the three months ended September 30, 2024, when compared to the prior year period (increased 6.0% during the nine-month period) as a result of the acquisition of VidaCann.

We recorded an impairment loss of \$2,393,087 for the three and nine months ended September 30, 2024 (\$0 for the three months ended September 30, 2024 and \$0 for the three and nine months ended September 30, 2023) related to the write-down to net realizable value of construction in process assets for a steel building kit structure at our Florida operations that is no longer going to be used in the operations.

Interest income, net was \$30,263 incurred during the three months ended September 30, 2024, compared to interest income, net of \$10,834 incurred during the three months ended September 30, 2023 (interest income, net was \$139,405 and \$159,728 for the nine months ended September 30, 2024 and 2023, respectively). Interest income relates to interest earned on cash deposits held by the Company. Interest expense is related to accrued interest on our long-term debt that is due and payable on demand. The balance of long-term debt as of September 30, 2024, was \$10,331,632 compared to \$884,000 as of December 31, 2023. The increase in long-term debt is due to the \$5,000,000 vendor note owed on the VidaCann acquisition that is due April 1, 2025, approximately \$2,947,632 in bank indebtedness at the VidaCann operations that matures in February 2025 and \$1,500,000 million in notes due to related parties at VidaCann that matures May 10, 2029.

We conduct our operations in both United States dollars and Canadian dollars, holding financial assets and incurring expenses in both currencies, and holding all of our currency in US Dollars. The foreign currency gains/losses reflect fluctuations in the underlying exchange rates on the dates expenses are incurred compared to when they are paid. It is our policy not to hedge our CAD exposure.

Warrants are accounted for in accordance with the applicable authoritative accounting guidance in ASC Topic 815, Derivatives and Hedging - Contracts in Entity's Own Equity ("ASC 815"), as derivative liabilities based on the specific terms of the warrant agreements. Liability-classified instruments are recorded at fair value at each reporting period with any change in fair value recognized as a component of change in fair value of derivative liabilities in the consolidated statements of operations and comprehensive loss. Transaction costs allocated to warrants that are presented as a liability are expensed immediately within other expenses (income) in the statements of net loss and comprehensive loss. During the three and nine months ended September 30, 2024, the change in fair value of the warrants resulted in a gain of \$0 (gain of \$18,127 during the nine months ended September 30, 2023).

Other income (expense), consisting of a loss on transaction costs relating to the sale of Planet 13 Florida, Automated Teller Machine ("ATM") fees, and other miscellaneous income/expense was income of \$376,717 for the three months ended September 30, 2024, compared to other income consisting of a gain on Employee Retention Credits, ATM fees, and other miscellaneous income/expense of \$98,861 for the three months ended September 30, 2023.

Income tax expense for the three months ended September 30, 2024, was \$4,490,659 compared to \$2,365,207 for the prior year period. Income tax expense was \$10,885,563 for the nine months ended September 30, 2024 compared to \$7,561,151 for the nine months ended September 30, 2023. The tax expense increased due to the increase in taxable profitability during the three and nine months ended September 30, 2024, when compared to the three and nine months ended September 30, 2023. We are subject to Section 280E of the Internal Revenue Code (the "Code"), which prohibits businesses from taking deductions or credits in carrying on any trade or business consisting of trafficking in certain controlled substances that are prohibited by federal law. We, to the extent our "trafficking" activities, and/or key contract counterparties directly engaged in trafficking in cannabis, have incurred significant tax liabilities from the application of Section 280E. Our income tax obligations under Section 280E of the Code are typically substantially higher as compared to companies to which Section 280E does not apply. Section 280E essentially requires us to pay federal, and as applicable, state income taxes on gross profit, which presents a significant financial burden that increases our net loss and may make it more difficult for us to generate net profit and cash flow from operations in future periods. In addition, to the extent that the application of Section 280E creates a financial burden on contract counterparties, such burdens may impact the ability of such counterparties to make full or timely payment to us, which would also have a material adverse effect on our business.

The overall net loss for the three months ended September 30, 2024, was \$7,411,190 ((\$0.02) per share) compared to an overall net loss of \$46,254,236 ((\$0.21) per share) for the three months ended September 30, 2023. The overall net loss for the nine months ended September 30, 2024 was \$21,358,105 ((\$0.08) per share) compared to an overall net loss of \$59,350,477 ((\$0.27) per share) for the nine months ended September 30, 2023.

Segmented Disclosure

The Company determined that each of its locations represents an operating segment. These operating segments have been aggregated into a single reportable segment as the Company operates as a vertically integrated cannabis company with dispensary, cultivation, production and distribution operations in the State of Nevada; dispensary, cultivation and distribution operations in the State of California; dispensary operations in the State of Illinois; and vertically integrated dispensary, cultivation, and production operations in the State of Florida.

Liquidity and Capital Resources

As of September 30, 2024, our financial instruments consist of cash, deposits, accounts payable and accrued liabilities, and notes payable. We have no speculative financial instruments, derivatives, forward contracts, or hedges.

As of September 30, 2024, we had working capital of \$15,564,382 compared to working capital of \$32,021,292 as of December 31, 2023. The Company believes that it has adequate liquidity in the form of cash on hand to fund all its planned capital expenditures and expansion plans as well as to continue to fund its operation over the next 12 months, the planned build-out of its operations in Florida, and the further expansion of operations in Nevada and California.

The following table relates to the nine months ended September 30, 2024 and 2023:

| | Nine Months Ended | |
|---|-------------------------------|-------------------------------|
| | September 30, 2024 | September 30, 2023 |
| Cash flows provided by operating activities | \$ 6,642,779 | \$ (11,187,083) |
| Cash flows used in investing activities | (1,236,623) | (6,844,554) |
| Cash flows provided by financing activities | 6,773,923 | (267,526) |

Cash Flows from Operating Activities

Net cash provided by operating activities was \$6,642,779 for the nine months ended September 30, 2024, compared to cash used in operating activities of \$11,187,083 for the nine months ended September 30, 2023. A significant portion of the increase in cash provided by operating activities is directly attributable to the net change in certain working capital items during the nine months ended September 30, 2024, when compared to the nine months ended September 30, 2023.

Cash Flows from Investing Activities

Net cash used in investing activities was \$1,236,623 for the nine months ended September 30, 2024, compared to net cash used in investing activities of \$6,844,554 for the nine months ended September 30, 2023. The cash used in investing activities for the nine months ended September 30, 2024 was a result of the net cash received after factoring in the sale of Planet 13 Florida during the period that more than offset the cash used on the purchase of property and equipment during the period. No such cash inflow occurred during the prior year period.

Cash Flows from Financing Activities

Net cash provided by financing activities was \$6,773,923 during the nine months ended September 30, 2024, compared to net cash used in financing activities of \$267,526 for the nine months ended September 30, 2023. The increase was a result of the net cash proceeds received on the closing of an equity financing in March 2024 offset by cash used in the acquisition of VidaCann.

Capital Resources

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

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

Should financing not be available, the Company has adequate liquidity in the form of cash on hand to fund all of its planned capital expenditures and expansion plans as well as to continue to fund its operation over the next 12 months, including the planned build-out of its operations in Florida and the continuing build-out of its Illinois retail location.

