Management Discussion and Analysis

Of the Financial Position and Results of Operations

For the Year Ended December 31, 2024

Expressed in United States Dollars

Dated: March 26, 2025

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-K for the year ended December 31, 2024, filed on SEDAR+ on March 26, 2025, in its entirety.

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Item 7. 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 years ended December 31, 2024 and 2023. It is supplemental to, and should be read in conjunction with, our audited annual consolidated financial statements for the years ended December 31, 2024 and 2023, and the accompanying notes presented herein. Our consolidated 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.

This MD&A contains certain "forward-looking statements" and certain "forward-looking information" as defined under applicable United States securities laws. Please refer to the discussion of forward-looking statements and information set out under the heading "Disclosure Regarding Forward-Looking Statements," identified in this Annual Report on Form 10-K. 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. A detailed description of our corporate history and our business can be found above in Item 1.

As of December 31, 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 dispensary 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 and production activities, (c) MM Development Company, Inc. for all licensed Nevada cannabis cultivation, production, distribution, and dispensing, (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 an 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 December 31, 2024, we held the following licensed operations in Nevada: (a) one dual-licensed dispensary superstore adjacent to the Las Vegas Strip with 24,000 square feet of licensed dispensary (the "**Planet 13 Las Vegas Superstore**"), (b) one adult-use "neighborhood store" at 2,300 square feet of licensed dispensary (the "**Medizin dispensary**"), (c) three dual-licensed production facilities, one of which is co-located and customer-facing at the Las Vegas SuoperStore Entertainment complex with 18,500 square feet of licensed production, (d) three dual-licensed 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 a 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 (e) one cannabis distribution license and (f) one cannabis consumption licence operating as DAZED! Compsumption lounge, a 3,000 square foot location inside the Planet 13 Las Vegas Superstore Entertainment complex.

At the Planet 13 Las Vegas Superstore Entertainment complex , we also offer ancillary services to our customers, including a restaurant (currently closed and awaiting a new tenant operator) with a liquor license, a retail store, and our online cannabidiol ("**CBD**") store which also sells products in our facility.

California

As of December 31, 2024, we held the following licensed operations in California: (a) an adult-use 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 Superstore**"), (b) following the closing of our Plan of Arrangement with Next Green Wave Holdings Inc. ("**NGW**"**)** on March 2, 2022, as more fully discussed in Acquisitions below, one dual-use and two adult-use cultivation licenses along with a nursery license and distribution license at our 35,000 square foot cultivation facility, and one Type P production license at a 4,000 square foot facility. As of May 5, 2022, we received notification that our application to enhance the Type P production license to Type 6 non-volatile extraction license had been approved by the California Department of Cannabis Control ("**DCC**"), to produce our existing product lines, including gummies, concentrates, chocolates, and beverages and distribute them for wholesale sales in California. Further, on July 12, 2022, the DCC granted to NGW a cultivation processing license to trim, cure, dry, grade, package, and label the cannabis grown at NGW facilities.

Florida

As of December 31, 2024, we are continuing capital outlays to utilize our Florida MMTC license issued by the Florida Department of Health that was acquired through our acquisition of VidaCann. Licensed MMTCs are vertically integrated and the only businesses in Florida authorized to dispense medical marijuana cannabis to qualified patients and caregivers. MMTCs are authorized to cultivate, process, transport and dispense medical marijuana. As of December 31, 2024 there were 22 companies with MMTC licenses in Florida, many 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. On September 15, 2023, we recorded an impairment charge of $32,750,466 against our previously acquired Florida MMTC License to reflect the value of the Florida MMTC License as of the date we domesticated to Nevada. We recognized an additional impairment of $7,197,418, that brought the carrying value of our Florida MMTC License to $9,000,000, as of December 31, 2023. The amount was equal to the sale price negotiated with a third party who acquired the license from us on May 6, 2024, prior to us closing the acquisition of VidaCann on May 10, 2024. The VidCann acquisition added a cultivation and processing facility, a production facility and a twenty-six (26) retail store network, to which we have added four (4) additional locations, bringing the total number of medical dispensaries we operate in Florida to thirty (30)

On July 1, 2022, we, through our subsidiary Planet 13 Florida, Inc., closed on a $3,300,000 USD purchase of a 23-acre parcel of real property, inclusive of a 10,500 square foot building, near Ocala, Florida. The property was previously received Florida OMMU approvals for cultivation, processing, and dispensing activities. The location was leased to another MMTC licensed operator as part of the sale. of the MMTC license described above, for a nominal amount. The lease was terminated on March 1, 2025 and the property is currently listed for sale.

As part of our Florida expansion, as of the date of this report, we have entered into four leases for additional dispensing locations in Florida, which remain subject to completion of tenant improvements and regulatory inspection prior to sales to customers.

See Recent Developments for further information related to the Company's Florida operations and our acquisition of VidaCann.

Illinois

On August 5, 2021, Planet 13 Illinois won a Conditional Adult Use Dispensing Organization License in the Chicago-Naperville-Elgin region from the Illinois Department of Financial and Professional Regulation. The conditional license was issued to Planet 13 Illinois on July 22, 2022. At the time the license was awarded, we owned 49% of Planet 13 Illinois and 51% was owned by Frank Cowan.

On August 5, 2022, we entered into an option purchase agreement that gives us the option to purchase 51% of Planet 13 Illinois that it does not already own from Frank Cowan for $866,250 in cash and 1,063,377 common shares of the Company. The option was exercisable at our discretion for a period of two years.

On October 14, 2022, the Company, through its wholly owned subsidiary Planet 13 Chicago, LLC, entered into a $2,500,000 real property purchase agreement for a proposed dispensing location in Waukegan, Illinois, for an approximately 8,000 square foot building on 1.9 acres, previously occupied by a financial institution tenant. The Company's obligation to close on the transaction is conditioned upon obtaining local jurisdiction zoning and land-use approvals, completion of customary due diligence, and that the current non-occupying tenant terminate their lease at the property. On November 1, 2022, the Company provided notice of this site selection to the Illinois cannabis regulator.

On February 7, 2023, we exercised and closed our option to purchase Mr. Cowan's 51% interest in Planet 13 Illinois. On February 3, 2023, we closed on the purchase of a dispensary location in the town of Waukegan, a suburb of the greater Chicago area, and on December 4, 2023, opened the Planet 13 Illinois dispensary to the public.

COVID-19 Update

Starting on February 10, 2022, COVID-19 protocols in Nevada no longer include mask mandates in Clark and Nye County, where we have operations, for all individuals within public indoor settings.

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

On May 3, 2021, Governor DeSantis signed an executive order stating, "all local COVID-19 restrictions and mandates on individuals and businesses are hereby ending all mask mandates in Florida from that time forward."

On May 5 2023, the World Health Organization and former US president Joe Biden declared an end to the pandemic.

The disease continued to circulate during the year ended December 31, 2024 and into 2025. We caution that current global uncertainty with respect to the spread of COVID-19 or its variants and its effect on the broader global economy may have a significant negative effect on us. While the continued impact of COVID-19 on us remains unknown, continued spread of COVID-19 or its variants may have a material adverse effect on global economic activity and can, and in some cases, has resulted in volatility and disruption to global supply chains, operations, mobility of people and the financial markets, which could and may continue to affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to us. Long-term economic impacts relating to COVID-19 and state and national fiscal policy related to combatting the economic impacts of COVID-19 may have a long-term detrimental impact on customer spending, costs of customer acquisition, and may be a driver for rapid inflation which could negatively affect our customers' discretionary spending capability or increase our materials and labor costs in future periods.

Acquisitions

VidaCann LLC

On August 28, 2023, the Company entered into a Membership Interest Purchase Agreement ("**Purchase Agreement**") with VidaCann, LLC ("**VidaCann**"), Loop's Dispensaries, LLC ("**Dispensaries**"), Ray of Hope 4 Florida, LLC ("**Ray of Hope**") and Loops Nursery & Greenhouses, Inc. ("**Nursery**" and together with Dispensaries and Ray of Hope, the ("**Sellers**"), David Loop ("**Loop**") and Mark Ascik (together with Loop, the "**Indemnifying Members**") and Loop, solely in his capacity as Seller Representative, pursuant to which, upon the terms and subject to the conditions set forth therein, the Company would acquire from the Sellers all of the membership interests in VidaCann (the "**Transaction**"). On May 9, 2024, the Company acquired 100% ownership interest of VidaCann, LLC. ("**VidaCann**") and accounted for the transaction as a business combination acquisition pursuant to ASC 805.

VidaCann was established in 2003 and was formed for the purpose of cultivating and selling cannabis products in the state of Florida, where it owns and operates a cultivation and manufacturing facility. The Company executed the VidaCann transaction in order to expedite its entrance into the attractive Florida cannabis market with an existing customer base and operational cultivation and manufacturing facilities.

Pursuant to the Purchase Agreement, the Company acquired VidaCann from the Sellers for agreed consideration at closing of the Transaction (the "**Closing**") equal to the sum of: (i) 81,872,252 shares of common stock of the Company (the "**Base Share Consideration**"), of which 1,307,698 shares were issued to VidaCann's industry advisor (the "**VC Advisor**"); (ii) a cash payment of US$4,000,000 (the "Closing Cash Payment"); and (iii) promissory notes issued by the Company to the Sellers in the aggregate principal amount of US$5,000,000, with each of the above components subject to adjustments as set out in the Purchase Agreement. Based on the closing price of the Company's common shares of (CAD$0.9100) US$0.6647 on May 9, 2024 on the Canadian Securities Exchange (the "**CSE**") (based on the Bank of Canada CAD to USD exchange rate on May 9, 2024 of CAD$1.00=US$0.7304), the total consideration was valued at US$50,755,443 million. As contemplated by the definitive agreement, VidaCann continued to have US$3 million of bank indebtedness and US$1.5 million of related party notes to former VidaCann managers at the time of closing, which were assumed by the Company. The Seller of the majority interest in VidaCann also has the right to nominate a director to the Company's board of directors effective the next business day following the Company's 2024 annual meeting of stockholders in June. The Seller has selected David Loop, the former Chief Executive Officer of VidaCann, as its board nominee.

The VidaCann acquisition was deemed to be a business combination under ASC 805. The following table summarizes the allocation of consideration exchanged to the estimated fair value of the tangible and intangible assets acquired:

Consideration paid:		
Cash	$	4,000,000
Issuance of 81,872,252 Common Shares		42,123,314
Note Payable to Former VidaCann Shareholders		4,632,129
	$	**50,755,443**
Fair value of net assets acquired:		
Cash	$	911,715
Inventory		7,375,225
Prepaids and other assets		1,869,222
Property, plant and equipment		9,080,072
ROU Assets		21,371,614
Intangible assets		9,000,000
Goodwill		30,661,477
ROU Liabilities		(21,371,614)
Notes Payable		(4,010,582)
Accounts Payable and Accrued Liabilities		(4,131,686)
	$	**50,755,443**

The purchase price allocations for the VidaCann transaction reflect various fair value estimates and analyses relating to the determination of fair value of certain tangible and intangible assets acquired and residual goodwill. The Company determined the estimated fair value of the acquired working capital, and identifiable intangible assets and goodwill after review and consideration of relevant information including market data and management's estimates. The estimated fair value of acquired working capital was determined to approximate carrying value.

The goodwill arising from the VidaCann transaction consists of expected synergies from combining operations of the Company and VidaCann, and intangible assets not qualifying for separate recognition such as formulations, proprietary technologies and acquired know-how. None of the goodwill is deductible for tax purposes. VidaCann's state cannabis license represented an identifiable intangible asset acquired in the amount of $9,000,000. The VidaCann cannabis license acquired has an indefinite life and as such will not be subject to amortization.

In connection with the VidaCann transaction, the Company expensed $1,020,563 of acquisition-related costs, which have been included in general and administrative expenses on the Company's consolidated statement of operations and comprehensive loss for the period ended December 31, 2024, and $909,363 for the period ended December 31, 2023. VidaCann contributed revenue, net of discounts, gross profit and net loss of $26,890,356, $14,668,773 and ($1,878,533) included in the Company's Consolidated Comprehensive Net Income in the period ended December 31, 2024.

Results of Operations

Expressed in USD$	For the Years ended December 31, 2024	For the Years ended December 31, 2023	Percentage Change
Revenue			
Net revenue	116,408,966	98,505,170	18.2%
Cost of Goods Sold	(60,298,520)	(53,682,026)	12.3%
Gross Profit	56,110,446	44,823,144	25.2%
Gross Profit Margin %	48.2%	45.5%	
Expenses			
General and Administrative	51,171,892	42,421,172	20.6%
Sales and Marketing	5,805,721	5,368,473	8.1%
Lease expense	4,511,997	3,105,996	45.3%
Impairment loss	21,275,942	46,846,866	(54.6)%
Depreciation and Amortization	8,860,921	8,180,465	8.3%
Total Expenses	91,626,473	105,922,972	(13.5)%
Loss From Operations	(35,516,027)	(61,099,828)	(41.9)%
Other Income (Expense):			
Interest income (expense), net	(333,082)	195,722	(0,270.2)%
Foreign exchange gain (loss)	(14,942)	3,653	(509.0)%
Change in fair value of warrants	—	18,127	(0,100.0)%
Provision for stolen funds	—	(2,000,000)	(100.0)%
Other income	257,438	807,023	(68.1)%
Total Other Income (Expense)	(90,586)	(975,475)	(90.7)%
Loss for the year before tax	(35,606,613)	(62,075,303)	(42.6)%
Provision for income tax (current and deferred)	12,190,243	11,533,455	5.7%
Loss for the year	(47,796,856)	(73,608,758)	(35.1)%
Loss per share for the period			
Basic and fully diluted income (loss) per share	$ (0.16)	$ (0.33)	
Weighted Average Number of Shares Outstanding			
Basic and diluted	292,166,589	221,964,287	

We experienced a $17,903,796 increase in net revenue during the year ended December 31, 2024, when compared to the year ended December 31, 2023. The increase is attributable to the inclusion of the VidaCann acquisition that closed on May 9, 2024. We experienced a reduction in the number of customers at our Planet 13 Las Vegas Superstore location compared to the prior year, a decrease in revenue from the Planet 13 OC store, relatively flat wholesale revenue from the NGW cultivation operations in California, the full year addition of revenue from the Company's Planet 13 Illinois dispensary in Waukegan that opened in December 2023 and a decrease in net wholesale revenue in Nevada. Overall, net revenue increased by 18.2% during the year ended December 31, 2024, when compared to the year ended December 31, 2023. We believe that the potential economic downturn and increase in inflation,combined to reduce the disposable income of our customers during the year ended December 31, 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.

Details of net revenue by product category are as follows:

	For the Years ended December 31, 2024	For the Years ended December 31, 2023	Percentage Change
Flower	$ 41,029,157	$ 31,247,039	31.3%
Concentrates	36,071,773	28,107,159	28.3%
Edibles	18,060,140	16,837,375	7.3%
Topicals and Other Revenue	7,252,456	5,107,733	42.0%
Wholesale	13,995,440	17,205,864	(18.7)%
Net revenue	$ 116,408,966	$ 98,505,170	18.2%

Gross profit margin for the year ended December 31, 2024, was 48.2% compared to 45.5% for the year ended December 31, 2023. The increase in gross profit margin for the year ended December 31, 2024 was a result of an increase in the percentage of sales coming from retail dispensary operations (with the addition of the VidaCann store network) when compared to the year ended December 31, 2023. Retail operations have an inherently higher gross margin than wholesale operations.

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, Leaf & Vine, HaHa Gummies, Dreamland Chocolate, HaHa Beverages and Medizin, continued to have a positive impact on gross margins during the year ended December 31, 2024, helping offset the lower margins received on the sale of wholesale product and sales to local customers in the State of Nevada. The cost of internal cultivation at our VidaCann operations also improved during the year as upgrades and efficiency measures implemented have had a positive impact on yields and lower operational costs. 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 grow our Florida retail operations.

Our premium cultivation facilities were operating near capacity during the years ended December 31, 2024, and December 31, 2023, respectively. The amount of cannabis grown during the year was in line with the prior year. Wholesale flower prices continued to be soft in both California and Nevada towards the latter half of the year ended December 31, 2024. The price declines that were experienced during 2024 led to an overall decline in flower revenue during the year when compared to the year ended December 31, 2023.

Overall gross profit was $56,110,446 and $44,823,144 for the years ended December 31, 2024 and 2023 respectively, an increase of 25.2%. The increase can be directly attributed. to the inclusion of the VidaCann operations during the year ended December 31, 2024.

General and Administrative ("**G&A**") expenses (which includes non-cash share-based compensation expenses), increased by 20.6% during the year ended December 31, 2024, when compared to the year ended December 31, 2023. The increase in G&A expenses incurred during the year ended December 31, 2024, was a result of the addition of the VidaCann operations and an inclusion of a full year of results from our Illinois operations. These increases were partially mitigated by focused cost cutting initiatives undertaken by the Company, coupled with a reduction in share-based compensation expense recorded during the year ended December 31, 2024when compared to the year ended December 31, 2023. Overall, excluding non-cash share-based compensation expenses, G&A expenses as a percentage of revenue equaled 44.0% for the year ended December 31, 2024, compared to 43.1% for the year ended December 31, 2023.

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

	For the Years ended December 31, 2024	For the Years ended December 31, 2023	Percentage Change
Salaries and wages	$ 21,316,396	$ 13,945,103	52.9%
Executive compensation	3,048,605	2,949,315	3.4%
Licenses and permits	2,651,018	2,541,183	4.3%
Payroll taxes and benefits	4,198,424	3,369,468	24.6%
Supplies and office expenses	1,118,430	1,518,102	(26.3)%
Subcontractors	2,810,695	2,714,424	3.5%
Professional fees (legal, audit and other)	8,131,961	7,484,017	8.7%
Miscellaneous general and administrative expenses	7,716,055	5,379,153	43.4%
Share-based compensation expense	180,308	2,520,407	(92.8)%
	$ 51,171,892	$ 42,421,172	20.6%

Non-cash, share based compensation of $180,308 was recognized during the year ended December 31, 2024, decreasing from $2,520,407 incurred during the year ended December 31, 2023. The decrease can be 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, 1/3 on December 1, 2022, and 1/3 on December 1, 2023. 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 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 8.1% during the year ended December 31, 2024, when compared to the year ended December 31, 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 and the Planet 13 OC store and our Medizin dispensary in Nevada as well as to support the launch of our Planet 13 Illinois retail dispensary in Waukegan and marketing expenses incurred in Florida promoting our expanded store network.

Lease expense increased by 45.3% during the year ended December 31, 2024, when compared to the year ended December 31, 2023, due to increases in contracted lease rates on the Company's leased properties during the year as well as the addition of 26 dispensaries, a cultivation and processing facility and a production facility in Florida.

Depreciation and Amortization increased 8.3% during the year ended December 31, 2024, when compared to the prior year because of the recording of depreciation on the Company's recently acquired VidaCann assets as well as a full year of depreciation recorded on the Company's assets in Illinois,
both of which were not owned/open during the prior year.

During the year ended December 31, 2024 the Company recorded a full impairment charge of $17,118,954 associated with property, plant and equipment, ROU assets and the retail license for its Orange County, California dispensary. The Company also recorded a full impairment charge of $1,763,901 associated with property, plant and equipment and ROU assets related to its cultivation facility in Beatty Nevada, as well as an impairment charge of $2,393,087 associated with property plant and equipment related to an abandoned cultivation project in Florida.

During the year ended December 31, 2023 the Company evaluated whether intangible assets and goodwill showed any indicators of impairment, and it was determined that such indicators existed. As a result of the Company's analysis, it was determined that certain of the Company's intangibles were impaired, resulting in the Company recording an impairment charge of $46,846,866. This charge was comprised of an impairment of the carrying value of our Florida MMTC License as a result of the definitive agreement entered into to sell the license to a third party on the closing of the acquisition of VidaCann LLC. See Note 7 of our Audited Annual Consolidated Financial Statements for the year ended December 31, 2024.

Interest expense was ($333,082) during the year ended December 31, 2024, compared to interest income of $195,722 during the year ended December 31, 2023. The interest income relates to interest earned on cash deposits offset by accrued interest on our note payable that is due and payable on demand. The balance of notes payable as of December 31, 2024, was $8,681,684 compared to $884,000 as of December 31, 2023.

We conduct our operations in both United States dollars and Canadian dollars, holding financial assets and incurring expenses in both currencies. On December 31, 2023, the value of the USD was USD$1.00=CAD$1.3356 compared to the value of the USD of USD$1.00=CAD$1.4389 at December 31, 2024 and averaged USD$1.00=CAD$1.3698 during the year ended December 31, 2024, resulting in our realizing a foreign exchange loss of ($14,492) during the year ended December 31, 2024 compared to a foreign exchange gain of 3,653 during the prior year. 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 year ended December 31, 2024, the change in fair value of the warrants resulted in a gain of $- compared to a gain of $18,127 during the year ended December 31, 2023.

Provision for misappropriated funds consists of funds that were misappropriated by the Company's external investment advisor over the period from November 2021 through to September 30, 2023. We are conducting an internal investigation into the misappropriation, with the assistance of external legal counsel. From evidence revealed to the Company as part of the investigation process, we were provided with factual information from WAB regarding the misappropriated funds and were able to confirm which periods funds were misappropriated. During the year ended December 31, 2024, $- was misappropriated compared to $2,000,000 that was misappropriated during the year ended December 31, 2023. We have filed a claim and are diligently trying to recover the misappropriated funds. Any future recovery of misappropriated funds will be recognized in the period in which the recovery occurs. On March 3, 2025, the Company announced significant recovery of funds related to the El Capitan matter. This includes a settlement and recovery of US$2.1 million of funds which were held at BridgeBank, a division of Western Alliance Bank (collectively "WAB"), bringing the total recovery of funds held at WAB to US$5.5 million. Additionally, the Company, through a wholly-owned subsidiary, will also obtain real estate (the "Real Property") valued at approximately US$5.0 million based on recent comparable sales, which it intends to sell. In total, the Company has recovered approximately $10.5 million, including the expected value from the sale of the Real Property. This settlement does not conclude the Company's lawsuit against El Capitan Advisors, Inc. ("El Capitan") and its founder and Chief Executive Officer, Andrew Nash, in which it is seeking approximately US$10.3 million, which is based on $15.3 million less the expected net proceeds Planet 13 receives from the sale of the Real Property, in additional compensatory damages and other relief.

Other income (expense), consisting of Automated Teller Machine ("**ATM**") fees, interest and other miscellaneous income was income of $257,438 for the year ended December 31, 2024, compared to other income of $807,023 for the year ended December 31, 2023.

The income tax expense for the year ended December 31, 2024, was $12,190,243 compared to $11,533,455 for the prior year. The tax expense increased in 2024 due to the inclusion of Florida operations that increased table profitability during the year ended December 31, 2024. 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 of our "trafficking" activities, and/or key contract counterparties directly engaged in trafficking in cannabis, have incurred significant tax liabilities from the application of Section 280E. Our income tax obligations under Section 280E of the Code are typically substantially higher as compared to companies to which Section 280E does not apply. Section 280E essentially requires us to pay federal, and as applicable, state income taxes on gross profit, which presents a significant financial burden that increases our net loss and may make it more difficult for us to generate net profit and cash flow from operations in future periods. In addition, to the extent that the application of Section 280E creates a financial burden on contract counterparties, such burdens may impact the ability of such counterparties to make full or timely payment to us, which would also have a material adverse effect on our business.

The overall net loss for the year ended December 31, 2024, was $47,796,856 ($0.16 per share) compared to an overall net loss of $73,608,758 ($0.33 per share) for the year ended December 31, 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 States of Nevada and Florida, dispensary, cultivation and distribution operations in the State of California and dispensary operations in the State of Illinois.

Liquidity and Capital Resources

As of December 31, 2024, our financial instruments consist of cash, restricted cash, accounts receivable, deposits, accounts payable and accrued liabilities, and notes payable. We have no speculative financial instruments, derivatives, forward contracts, or hedges.

As of December 31, 2024, we had working capital of $28,951,955 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, the further expansion of operations in Nevada and California and continue growing the Planet 13 Illinois retail operations.

The following table relates to the years ended December 31, 2024, and 2023:

	Years Ended December 31,	
	2024	2023
Cash flows provided by operating activities	5,210,899	(12,045,518)
Cash flows used in investing activities	(3,785,503)	(9,194,965)
Cash flows provided by financing activities	6,728,089	(267,529)

Cash Flows from Operating Activities

Net cash provided by (used in) operating activities was $5,210,899 for the year ended December 31, 2024, compared to cash used in operating activities of ($12,045,516) for the year ended December 31, 2023. The increase in cash provided by operations is primarily due to the inclusion of VidaCann operations during. the year ended December 31, 2024, when compared to the year ended December 31, 2023.

Cash Flows from Investing Activities

Net cash used in investing activities was $3,785,503 for the year ended December 31, 2024, compared to net cash used in investing activities of $9,194,965 for the year ended December 31, 2023. The decrease is primarily related to a reduction in capital expenditures during the year when compared to the year ended December 31, 2023.

Cash Flows from Financing Activities

Net cash provided by (used in) financing activities was $6,728,089 during the year ended December 31, 2024, compared to net cash (used in) financing activities of ($267,529) for the year ended December 31, 2023. The increase was due to the equity financing that was completed in March 2024 compared to no equity financing occurring during the year ended December 31, 2023, as well as the payment of $267,529 in taxes in lieu of issuing shares on the settlement of RSUs during 2023 as compared to the year ended December 31, 2024 where no taxes were paid.

Capital Resources

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

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

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 continued build-out of its operations in Florida and the further expansion of operations in Nevada, California, and, Illinois.

Capital Management

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

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as of December 31, 2024, or as of December 31, 2023, or as of the date hereof.

Critical Accounting Estimates

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

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

Financial statement areas that require significant judgments are as follows:

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

Depreciation and amortization of property and equipment, right-of-use assets and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. Impairment of definite long-lived assets is influenced by judgment in defining an asset group and determining the indicators of impairment, and estimates used to measure impairment losses. Refer to Notes 6, 7 and 8 for further information.

Leases

The Company applies judgement in determining whether a contract contains a lease and if a lease is classified as an operating lease or a finance lease.

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

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

Definition of a business

Determination of what constitutes a business for purposes of acquisition accounting requires significant judgement. ASC 805 notes that if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the set is not considered a business. However, the exact quantitative threshold is not explicitly defined. During the year ended December 31, 2024, the Company completed one acquisition, further described in Note 7.

Asset Impairment

Asset impairment tests require the allocation of assets to asset groups, where appropriate, which requires significant judgment and interpretation with respect to the integration between the assets and shared resources. Asset impairment tests require the determination of whether there is an indication of impairment. The assessment of whether an indication of impairment exists is performed at the end of each reporting period and requires the application of judgment, historical experience, and external and internal sources of information.

Deferred tax assets and uncertain tax positions

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

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

Key estimates in these consolidated financial statements include:

Share-based compensation

The Company uses the Black-Scholes valuation model to determine the fair value of options and warrants granted to employees and non-employees under share-based payment arrangements, where appropriate. In estimating fair value, management is required to make certain assumptions and estimates such as the expected term of the instrument, volatility of the Company's future share price, risk free rates, future dividend yields and estimated forfeitures at the initial grant date, by reference to the underlying terms of the instrument, and the Company's experience with similar instruments. Changes in assumptions used to estimate fair value could result in materially different results. Refer to Note 12 for further information.

Valuation of inventory

Inventory is comprised of raw materials, work-in-progress and finished goods. Cannabis and hemp costs include expenditures directly related to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. At the end of each reporting period, the Company performs an assessment of inventory and records inventory valuation adjustments for excess and obsolete inventories based on the estimated forecast of product demand, production requirements, market conditions, regulatory environment, and spoilage. A reserve is estimated to ensure the inventory balance at the end of the year reflects the estimates of product the Company expects to sell in the next year. Changes in the regulatory structure, lack of retail distribution locations or lack of consumer demand could result in future inventory reserves.

Impairment of indefinite life intangible assets and goodwill

The assessment of whether an indication of impairment exists is performed at the end of each reporting period and requires the application of judgment, historical experience, and external and internal sources of information. The Company makes estimates in determining the future cash flows and discount rates in the quantitative impairment test to compare the fair value to the carrying value.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Financial instrument classification and measurement

Our financial instruments carried on the annual audited consolidated statement of financial position are carried at amortized cost with the exception of cash, which is carried at fair value. There are no significant differences between the carrying value of financial instruments and their estimated fair values as of December 31, 2024, or December 31, 2023, due to the immediate or short-term maturities of the financial instruments.

Fair values of financial assets and liabilities

Our financial instruments include cash, deposits, accounts payable and accrued expenses and note payable. On December 31, 2024, the carrying value of cash is fair value. Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method. Transaction costs are included in the amount initially recognized. Accounts payable and other liabilities, notes payable, and notes payable related parties have been classified as other financial liabilities.

Credit Risk

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

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

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company currently does not carry variable interest-bearing debt. It is management's opinion that the Company is not exposed to significant interest rate risk.

Currency Risk

As at December 31, 2024, a portion of the Company's financial assets and liabilities held in Canadian dollars consist of cash of $- (2023 - $65,203). The Company's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties in the functional currency. The Company does not currently use foreign exchange contracts to hedge its exposure of its foreign currency cash flows as management has determined that this risk is not significant at this point in time.

The Company's exposure to a 10% change in the foreign exchange conversion rate at December 31, 2024 equals $- (2023 - $6,250).

Liquidity Risk

The Company's approach to managing risk is to ensure that it will have sufficient cash and liquid investments to meet our commitments as they arise. We manage liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows. Where insufficient liquidity may exist, we may pursue various debt and equity instruments for short or long-term financing of our operations. As of December 31, 2024, the Company's financial liabilities consist of accounts payable, accrued liabilities, obligations under operating leases and taxes.

As of December 31, 2024, we had working capital of $28,951,955 (2023 - $32,021,292) and anticipate that revenue from operations will provide sufficient funds to cover all our operating expenditures for the next 12 months and available cash on hand will be sufficient to fund any and all capital expenditure requirements for the build-out of operations in the State of Florida and carry out other corporate initiatives over the next 12 months.

Further expansion of our cultivation facilities, production and manufacturing facilities and retail distribution facilities may require us to raise additional capital from outside sources. We will consider financing alternatives while contemplating minimal shareholder dilution.

The Company manages liquidity risk by reviewing its capital requirements on an ongoing basis. Historically, the Company's main source of funding has been the public issuance of common stock. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity financing. Our potential sources of cash flow in the upcoming year will be from the proceeds of the sale of cannabis and cannabis related products and possible equity financings, loans, lease financing and entering into joint venture agreements, or any combination thereof.

Pricing Risk

Price risk is the risk that the trading price of the Company's shares will fluctuate and result in an increase or decrease in the fair value of the warrant liability. The Company is not exposed to significant price risk.

Concentration Risk

The Company operates primarily in Southern Nevada and Southern California. Should economic conditions deteriorate within those regions, its results of operations and financial position would be negatively impacted.

Banking Risk

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

Asset Forfeiture Risk

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

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