MANAGEMENT DISCUSSION AND ANALYSIS

OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

Expressed in United States Dollars

Dated: November 8, 2023

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, 2023, filed on SEDAR on November 8, 2023, 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, 2023. 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, 2023 and 2022, 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, and Florida, and a conditional dispensing license in Illinois. We are headquartered in Las Vegas, Nevada, at our superstore dispensary located adjacent to the Las Vegas Strip. 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, 2022, as filed with the Securities and Exchange Commission ("**SEC**") on March 23, 2023.

As of September 30, 2023, we employed approximately 600 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) Planet 13 Florida, Inc. ("**Planet 13 Florida**") which holds our Florida Medical Marijuana Treatment Center ("**MMTC**") license, and (e) Planet 13 Illinois, LLC ("**Planet 13 Illinois**") which holds a conditional 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, 2023, 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 superstore in Las Vegas 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 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 (e) one cannabis distribution license.

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

California

As of September 30, 2023, 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) 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, 2023, we are continuing capital outlays to utilize our Florida MMTC license. 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 September 30, 2023, there were 22 companies with MMTC licenses in Florida, two 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 July 1, 2022, we, through our subsidiary Planet 13 Florida, closed on a $3,300,000 purchase of a 23-acre parcel of real property, inclusive of a 10,500 square foot building, near Ocala, Florida. The property was previously leased by Planet 13 Florida, and has received Florida OMMU approvals for cultivation, processing, and dispensing activities.

As part of our Florida expansion, as of the date of this report, we have entered into four leases for 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 its planned acquisition of VidaCann, LLC.

Illinois

On August 5, 2021, Planet 13 Illinois, in which we then held a minority interest, 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. We previously owned 49% of Planet 13 Illinois with 51% owned by Frank Cowan, but on February 7, 2023, we exercised and closed on our option to purchase Mr. Cowan's 51% interest in Planet 13 Illinois for $866,250 in cash and 1,063,377 in common shares of the Company.

On February 3, 2023, the Company, through its wholly owned subsidiary Planet 13 Chicago, LLC, closed on the purchase of a $2,500,000 real property 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. On November 1, 2022, the Company provided notice of this site selection to the Illinois cannabis regulator. The town of Waukegan is suburb of the greater Chicago area and close to the Illinois-Wisconsin state border. We have commenced construction of the dispensary and anticipate that it will be operational in late 2023.

COVID-19 Pandemic Update for Third Quarter 2023

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

The following are recent developments occurring in the three months ended September 30, 2023, and following that period until the filing date of this Form 10-Q:

VidaCann Membership Interest Purchase Agreement

On August 28, 2023, we 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 will acquire from the Sellers all of the membership interests in VidaCann (the "**Transaction**").

Pursuant to the Purchase Agreement, the Company will acquire VidaCann from the Sellers for agreed consideration at closing of the Transaction (the "**Closing**") equal to the sum of: (i) 78,461,538 shares of common stock of the Company (the "**Base Share Consideration**"), of which 1,307,698 shares will be 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 to be 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$0.69) US$0.5071 as of August 25, 2023 on the Canadian Securities Exchange (the "**CSE**") (based on the Bank of Canada CAD to USD exchange rate on August 25, 2023 of CAD$1.00=US$1.3606), the total consideration was valued at approximately US$48.9 million at that time. The Purchase Agreement contemplates that VidaCann will continue to have US$3,000,000 of bank indebtedness and US$1,500,000 or less of related party notes to former VidaCann owners at the Closing.

The Purchase Agreement contains customary representations, warranties and covenants. The Sellers and VidaCann have agreed to use commercially reasonable efforts to operate their business in the ordinary course consistent with past practice prior to the Closing and to refrain from taking certain actions without the Company's consent. The parties have each agreed to use their respective reasonable best efforts to consummate the Transaction, including to obtain required regulatory approvals and certain consents.

The Sellers, Indemnifying Members and the Company have each agreed to customary indemnification obligations with respect to breaches of their respective representations and warranties and failures to perform their respective obligations under the Purchase Agreement following the Closing. The Indemnifying Members' indemnification obligations are subject to certain customary limitations and deductibles.

The Transaction is expected to close in, or immediately prior to, the first quarter of 2024, subject to the satisfaction or waiver of certain conditions set forth in the Purchase Agreement, including, among others, (i) the sale of the Company's MMTC license in Florida to a third party, including any regulatory approvals required to effectuate the sale; (ii) the receipt of all regulatory consents from governmental authorities related to the operation of a cannabis business and consents required by the CSE; (iii) the receipt of certain third-party contractual consents and entry into certain other contractual arrangements; (iv) the entry into a non-compete agreement between the Company and each of the Indemnifying Members and Bobby Loehr; (v) the absence of any law or governmental order prohibiting the consummation of the Transaction; (vi) the accuracy of the parties respective representations and warranties; and (vii) the performance by the parties of their respective obligations under the Purchase Agreement.

The Sellers will be granted the right on closing to nominate one additional (fifth), director to the board of directors of the Company (the "**Board**").

The Board has received a fairness opinion from Evans & Evans, Inc. ("**Evans & Evans**") to the effect that, in its opinion, and based upon and subject to the assumptions, limitations and qualifications set forth therein, the consideration to be paid by the Company is fair, from a financial point of view, to the Company's shareholders. The fee paid to Evans & Evans in connection with the delivery of its fairness opinion is not contingent on the successful implementation of the Transaction.

Post-transaction, and based on the number of outstanding shares as of August 28, 2023, the former equity holders of VidaCann, along with the VC Advisor, are expected to have approximately 26.09% pro forma ownership in the Company on a fully diluted basis, before factoring in any adjustments to the Base Share Consideration. Each Seller and each equityholder of a Seller that holds over 5% in direct or indirect interest in VidaCann and receives Base Share Consideration will be subject to a lock-up agreement restricting trading of the shares received, with the release of one-third of shares from such restrictions six months following Closing and each subsequent six months thereafter.

The Purchase Agreement contains customary termination provisions, including the ability to terminate in the event the Transaction has not been completed by April 30, 2024.

Domestication

On September 15, 2023 (the "**Effective Date**"), Planet 13 Holdings Inc., a British Columbia corporation ("**Planet 13 BC**") filed articles of domestication and articles of incorporation with the Secretary of State of the State of Nevada and changed its jurisdiction from the Province of British Columbia, Canada, to the State of Nevada (the "**Domestication**"), pursuant to a court-approved plan of arrangement ("**Plan of Arrangement**").

On the Effective Date, pursuant to the Plan of Arrangement and by operation of law, all the rights, privileges and powers of Planet 13 BC, all property owned by Planet 13 BC, all debt due to Planet 13 BC, and all other causes of action belonging to Planet 13 BC immediately prior to the Effective Date remain vested in, or attached to, the Company following the Effective Date.

On the Effective Date, each holder of issued and outstanding common share of Planet 13 BC (the "**Common Shares**") was deemed to receive one share of common stock of the Company ("**Common Stock**"), without any action required on the part of the holder thereof. Additionally, each holder of outstanding options to purchase Common Shares was deemed to receive options to purchase an equal number of shares of Common Stock at the same exercise price per share and otherwise the same terms under the Planet 13 Holdings Inc. 2018 Stock Option Plan, and each holder of restricted share units was deemed to receive restricted share units for an equal number of shares of the Common Stock and otherwise with the same terms and conditions under the Planet 13 Holdings Inc. 2018 Share Unit Plan.

Acquisitions

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

Pursuant to the Plan of Arrangement, at 12:01 a.m. (Vancouver time) (the "**Effective Time**") on the Closing Date, we acquired all of the NGW Shares for a total consideration of approximately C$71,791,700 (based on the closing price of our Common Shares (the "**Planet 13 Shares**") on the Canadian Securities Exchange on February 28, 2022), and NGW then amalgamated with us. The NGW Shareholders received 0.1145 of one Planet 13 Share (the "**Exchange Ratio**") and a nominal cash payment of C$0.0001 for each NGW Share held immediately prior to the Effective Time. As a result, 21,361,002 Planet 13 Shares and $14,788 in cash were issued in exchange for the NGW Shares. In addition, the number of Planet 13 Shares issued to any person pursuant to the Arrangement was rounded down to the nearest whole Planet 13 Share, with a cash consideration paid in lieu of the issuance of such fractional Planet 13 Share of C$3.379 per share.

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

On February 7, 2023, the Company purchased the remaining 51% ownership interest in Planet 13 Illinois from a third party pursuant to an option purchase agreement that was entered into between such third party and the Company on August 4, 2022. The aggregate purchase price for the interest was $1,812,656 and consisted of $866,250 in cash consideration $946,406 in share consideration. The share consideration was comprised of 1,063,377 common shares of the Company at a fair value of C$1.18 (USD $0.89) per common share, which were issued on February 7, 2023.

Results of Operations

Expressed in USD$	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Percentage Change
Revenue			
Net revenue	24,788,239	25,623,217	(3.3)%
Cost of Goods Sold	(13,715,307)	(15,064,315)	(9.0)%
Gross Profit	11,072,932	10,558,902	4.9%
Gross Profit Margin %	44.7%	41.2%	
Expenses			
General and Administrative	11,340,678	11,309,955	0.3%
Sales and Marketing	1,348,266	938,269	43.7%
Lease expense	767,860	723,955	6.1%
Impairment loss	39,649,448	—	-
Depreciation and Amortization	1,965,607	1,978,403	(0.6)%
Total Expenses	55,071,859	14,950,582	268.4%
Income (Loss) From Operations	(43,998,927)	(4,391,680)	901.9%
Other Income (Expense):			
Interest expense, net	284,080	121,285	134.2%
Foreign exchange gain (loss)	203	(1,834)	(111.1)%
Change in fair value of warrants	—	197,721	(100.0)%
Other income	98,861	41,487	138.3%
Total Other Income	383,144	358,659	6.8%
Loss for the period before tax	(43,615,783)	(4,033,021)	981.5%
Provision for income tax (current and deferred)	2,365,207	2,222,504	6.4%
Loss for the period	(45,980,990)	(6,255,525)	635.0%
Loss per share for the period			
Basic and fully diluted income (loss) per share	$ (0.21)	$ (0.03)	
Weighted Average Number of Shares Outstanding			
Basic and diluted	222,080,513	220,146,277	

Expressed in USD$	Nine Months Ended September 30, 2023	September 30, 2022	Percentage Change
Revenue			
Net revenue	75,536,347	79,729,842	(5.3)%
Cost of Goods Sold	(41,698,369)	(42,445,429)	(1.8)%
Gross Profit	33,837,978	37,284,413	(9.2)%
Gross Profit Margin %	44.8%	46.8%	
Expenses			
General and Administrative	33,567,055	36,807,699	(8.8)%
Sales and Marketing	4,016,503	2,428,947	65.4%
Lease expense	2,346,885	1,984,252	18.3%
Impairment loss	39,649,448	—	-
Depreciation and Amortization	6,187,650	5,982,392	3.4%
Total Expenses	85,767,541	47,203,290	81.7%
Income (Loss) From Operations	(51,929,563)	(9,918,877)	423.5%
Other Income (Expense):			
Interest expense, net	875,643	193,896	351.6%
Foreign exchange gain (loss)	6,318	(23,000)	(127.5)%
Change in fair value of warrants	18,127	6,992,955	(99.7)%
Other income	1,956,064	270,254	623.8%
Total Other Income	2,856,152	7,434,105	(61.6)%
Loss for the period before tax	(49,073,411)	(2,484,772)	1875.0%
Provision for income tax (current and deferred)	(7,561,151)	(7,871,349)	(3.9)%
Loss for the period	(56,634,562)	(10,356,121)	446.9%
Loss per share for the period			
Basic and fully diluted income (loss) per share	$ (0.26)	$ (0.05)	
Weighted Average Number of Shares Outstanding			
Basic and diluted	221,712,138	215,321,796	

We experienced a 3.3% decrease in net revenue during the three months ended September 30, 2023, and a 5.3% decrease for the nine months ended September 30, 2023 when compared to the three and nine months ended September 30, 2022. The decrease is primarily attributable to a reduction in the number of customers at our Planet 13 Las Vegas Superstore location compared to the prior year periods, partially offset by an increase in wholesale revenue from the NGW cultivation operations in California, and an increase in net wholesale revenue in Nevada. Overall, net revenue decreased by $834,978 or 3.3% during the three months ended September 30, 2023, and decreased by $4,193,495 or 5.3% during the nine months ended September 30, 2023 when compared to the three and nine months ended September 30, 2022. We believe that a potential economic downturn and increase in inflation, including the increase in the price of gasoline and the increase in interest rates, combined to reduce the disposable income of our customers during the nine months ended September 30, 2023 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 the nine months ended September 30, 2023 when compared to the prior year period.

Details of net revenue by product category are as follows:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Percentage Change
Flower	$ 8,067,814	$ 9,203,668	(12.3)%
Concentrates	7,097,302	7,064,277	0.5%
Edibles	3,913,228	4,140,211	(5.5)%
Topicals and Other Revenue	1,345,109	1,467,792	(8.4)%
Wholesale	4,364,786	3,747,269	16.5%
Net revenue	$ 24,788,239	$ 25,623,217	(3.3)%

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Percentage Change
Flower	$ 24,079,127	$ 28,036,203	(14.1)%
Concentrates	21,206,920	22,406,354	(5.4)%
Edibles	12,872,103	14,119,412	(8.8)%
Topicals and Other Revenue	3,978,207	5,145,228	(22.7)%
Wholesale	13,399,990	10,022,645	33.7%
Net revenue	$ 75,536,347	$ 79,729,842	(5.3)%

Gross profit margin for the three months ended September 30, 2023 was 44.7% compared to 41.2% for the three months ended September 30, 2022 and was 44.8% for the nine months ended September 30, 2023 compared to 46.8% for the nine months ended September 30, 2022. The increase in gross profit margin for the three and nine months ended September 30, 2023 was a result of a decrease in retail sales incentives during the period, from 30.2% of gross revenue for the quarter ended September 30, 2022 to 26.5% of gross revenue for the quarter ended September 30, 2023 partially offset by the increase in wholesale revenue, both from our Nevada and California wholesale operations, that have an inherently lower gross margin than retail sales revenue. The decrease in gross profit margin for the nine months ended September 30, 2023 was due primarily to lower margin wholesale revenue comprising a greater percentage of revenue than during the prior year period (17.7% as compared to 12.6%).

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, 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, 2023, helping to partially offset the lower margins received on the sale of wholesale product and sales to local customers in the State of Nevada. We anticipate that margins will trend upward if and when 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 Superstore.

Our premium cultivation facilities were operating near capacity during the three and nine months ended September 30, 2023 and September 30, 2022, respectively. The amount of cannabis grown during the period increased when compared to the prior year period due to the full nine months of results from the addition of the 35,000 square feet of cultivation capacity that was added as part of the NGW acquisition on March 2, 2022, and the 22,000 square foot cultivation facility expansion in Nevada that was fully operational during the three and nine months ended September 30, 2023. 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 ended September 30, 2023.

Overall gross profit was $11,072,933 and $10,558,902 for the three months ended September 30, 2023 and 2022 respectively, an increase of $514,031, or 4.9%, and was $33,837,978 and $37,284,413 for the nine months ended September 30, 2023 and 2022 respectively, a decrease of $3,446,435, or 9.2%. General and Administrative (“**G&A**”) expenses (which include non-cash share-based compensation expenses) increased by 0.3% during the three months ended September 30, 2023 when compared to the three months ended September 30, 2022. Overall, excluding non-cash share-based compensation expenses, G&A expenses as a percentage of revenue equaled 43.3% for the three months ended September 30, 2023, compared to 36.2% for the three months ended September 30, 2022, and was 41.9% and 38.4% for the nine months ended September 30, 2023 and 2022 respectively.

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

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Percentage Change
Salaries and wages	$ 3,873,582	$ 3,574,834	8.4%
Share-based compensation expense	602,977	2,037,765	(70.4)%
Executive compensation	701,329	780,169	(10.1)%
Licenses and permits	594,162	710,951	(16.4)%
Payroll taxes and benefits	826,827	929,679	(11.1)%
Supplies and office expenses	408,404	258,468	58.0%
Subcontractors	527,039	399,982	31.8%
Professional fees (legal, audit and other)	2,312,808	947,922	144.0%
Miscellaneous general and administrative expenses	1,493,550	1,670,185	(10.6)%
	$ 11,340,678	$ 11,309,955	0.3%

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Percentage Change
Salaries and wages	$ 11,417,701	$ 11,369,684	0.4%
Share-based compensation expense	1,926,595	6,154,338	(68.7)%
Executive compensation	2,168,610	2,214,009	(2.1)%
Licenses and permits	1,845,608	2,168,616	(14.9)%
Payroll taxes and benefits	2,556,998	2,990,456	(14.5)%
Supplies and office expenses	1,074,602	758,924	41.6%
Subcontractors	1,559,001	1,532,880	1.7%
Professional fees (legal, audit and other)	6,898,241	4,458,370	54.7%
Miscellaneous general and administrative expenses	4,119,699	5,160,422	(20.2)%
	$ 33,567,055	$ 36,807,699	(8.8)%

Non-cash, share based compensation of $602,977 was recognized during the three months ended September 30, 2023, decreasing from $2,037,765 that was recognized during the three months ended September 30, 2022. For the nine months ended September 30, 2023, non-cash share-based compensation expense was $1,926,595, a decrease of 68.7% from the $6,154,338 recognized during the nine months ended September 30, 2022. 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 that will vest 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 filed with our Annual Report on Form 10-K for the year ended December 31, 2022, 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 43.7% or $409,997 during the three months ended September 30, 2023, and by 65.4% or $1,587,556 for the nine months ended September 30, 2023 when compared to the three and nine months ended September 30, 2022. 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.

Lease expense increased by 6.1% during the three months ended September 30, 2023, when compared to the three months ended September 30, 2022 due to increases in number of leases and contracted lease rates for the Company's leased properties during the period. Lease expense for the nine months ended September 30, 2023 increased by 18.3% compared to the nine months ended September 30, 2022, due to increases in number of leases and contracted lease rates for the Company's leased properties during the period.

Depreciation and amortization decreased 0.6% during the three months ended September 30, 2023, when compared to the prior year period because of the recording of depreciation on the NGW cultivation facility for a full quarter when compared to the prior year period. For the nine months ended September 30, 2023, depreciation and amortization increased 3.4% when compared to the prior year period because of the recording of depreciation on the NGW cultivation facility for a full nine months when compared to the prior year period.

In connection with the Domestication, the Company engaged a third-party valuation firm to determine the fair value of each of the Company's separate operating units. The results of the appraisal indicated that an impairment of the Company's Florida license had occurred. Consequently, the Company recorded an impairment loss of $39,649,448 during the three months ended September 30, 2023. This impairment was non-cash and does not impact the Company's ongoing activities in Florida.

Interest income, net was $284,080 earned during the three months ended September 30, 2023, compared to interest income, net of $121,285 earned during the three months ended September 30, 2022 (interest income of $875,643 for the nine months ended September 30, 2023 compared to interest income of $193,896 during the nine months ended September 30, 2022). Interest income is net of interest expense 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, 2023, was $884,000 compared to $884,000 as of December 31, 2022. Interest is being accrued on this note at a rate of 5% per annum.

We conduct our operations in both United States dollars and Canadian dollars, holding financial assets and incurring expenses in both currencies. On December 31, 2022, the value of the USD was USD$1.00=CAD$1.3544 compared to the value of the USD of USD$1.00=CAD$1.3590 at September 30, 2023 and averaged USD$1.00=CAD$1.3454 during the nine months ended September 30, 2023, resulting in our realizing a foreign exchange gain of 203 during the three months ended September 30, 2023, compared to a foreign exchange loss of $1,834 during the three months ended September 30, 2022 (foreign exchange gain of $6,318 for the nine months ended September 30, 2023, compared to a loss of $23,000 for the nine months ended September 30, 2022). 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 months ended September 30, 2023, 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) compared to a gain of $197,721 for the three months ended September 30, 2022 (gain of $6,992,955 for the nine months ended September 30, 2022).

Other income (expense), consisting of Employer Retention Credits, Automated Teller Machine fees, and other miscellaneous income/expense was income of $98,861 for the three months ended September 30, 2023, compared to other income of $41,487 for the three months ended September 30, 2022. Other income for the nine months ended September 30, 2023 was $1,956,064 compared to other income of $270,254 for the nine months ended September 30, 2022.

Income tax expense for the three months ended September 30, 2023, was $2,365,207 compared to $2,222,504 for the prior year period. The tax expense increased due to the increase in taxable profitability during the three months ended September 30, 2023, when compared to the three months ended September 30, 2022. Income tax expense for the nine months ended September 30, 2023, was $7,561,151 compared to $7,871,349 for the nine months ended September 30, 2022. The tax expense decreased due to the decrease in taxable profitability during the nine months ended September 30, 2023, when compared to the nine months ended September 30, 2022. 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, 2023, was $45,980,990 (($0.21) per share) compared to an overall net loss of $6,255,525 (($0.03) per share) for the three months ended September 30, 2022. The overall net loss for the nine months ended September 30, 2023, was $56,634,562 (($0.26) per share) compared to an overall net loss of $10,356,121 (($0.05) per share) for the nine months ended September 30, 2022.

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 and dispensary, cultivation and distribution operations in the State of California.

Liquidity and Capital Resources

As of September 30, 2023, 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, 2023, we had working capital of $42,719,471 compared to working capital of $55,124,236 as of December 31, 2022. 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 the continuing build-out of its Illinois retail location.

The following table relates to the nine months ended September 30, 2023 and 2022:

	Nine Months Ended	
	September 30, 2023	September 30, 2022
Cash flows provided by operating activities	(8,471,168)	2,334,432
Cash flows used in investing activities	(6,844,554)	(13,148,271)
Cash flows provided by financing activities	(267,526)	97,980

Cash Flows from Operating Activities

Net cash used in operating activities was ($8,471,168) for the nine months ended September 30, 2023, compared to cash provided by operating activities of $2,334,432 for the nine months ended September 30, 2022. A significant portion of the increase in cash used in operating activities is directly attributable to professional fees and other consulting services used during the nine months ended September 30, 2023, when compared to the nine months ended September 30, 2022.

Cash Flows from Investing Activities

Net cash used in investing activities was $6,844,554 for the nine months ended September 30, 2023, compared to net cash used in investing activities of $13,148,271 for the nine months ended September 30, 2022. The change in cash used in investing activities for the nine months ended September 30, 2023 decreased by $6,303,717 as a result of fewer development projects that were in process during the 2023 period when compared to the nine months ended September 30, 2022. The Company is in the process of completing the remaining build-out of the Superstore grand hallway and grey shell for the Cannabition museum space and the buildout of its Illinois dispensary, all expected to be substantially complete in the fourth quarter of 2023. During the nine months ended September 30, 2022, the Company was focused on the expansion of its Bell Drive cultivation facility in Nevada and the acquisition of Next Green Wave Inc. in California.

Cash Flows from Financing Activities

Net cash used in financing activities was ($267,526) during the nine months ended September 30, 2023, compared to net cash provided by financing activities of $97,980 for the nine months ended September 30, 2022.

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 planned build-out of its operations in Florida and the continuing build-out of its Illinois retail location.

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. 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 period. We are not subject to externally imposed capital requirements.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as of September 30, 2023, or as of December 31, 2022, or as of the date hereof.

Critical Accounting Estimates

The preparation of consolidated financial statements in conformity with GAAP requires our management to make judgements, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements. Although these estimates are based on management's best knowledge of the amounts, events 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.

There have been no material changes to our critical accounting estimates as set forth in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2022.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes to our market risk disclosures as set forth in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2022.

Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Co-Chief Executive Officers ("**Co-CEOs**") and Chief Financial Officer ("**CFO**"), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do, and management necessarily was required to apply its judgment in evaluating the risk related to controls and procedures.

In connection with the preparation of this Quarterly Report on Form 10-Q, as of September 30, 2023, an evaluation was performed under the supervision and with the participation of our management, including the Co-CEOs and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our management concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of September 30, 2023.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the evaluation of our internal control performed during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.