AMENDED AND RESTATED

MANAGEMENT DISCUSSION AND ANALYSIS

OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023

Expressed in United States Dollars

Dated: February 16, 2024

The Amended and Restated 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/A for the three and six months ended June 30, 2023, filed on SEDAR+ on February 20, 2024, in its entirety.

NOTICE TO READER

Planet 13 Holdings Inc. (the "**Company**", or "**Planet 13**") has restated its unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2023, which were previously filed on SEDAR+ and EDGAR on August 9, 2023 (the "**Original Interim Financial Statements**"). Subsequent to the issuance of the Original Interim Financial Statements, on January 25, 2024, in connection with the ongoing internal investigation, the Company concluded that its previously issued audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 (the "**2022 Annual Report**") and the Company's previously issued unaudited consolidated financial statements included in the Quarterly Reports on Form 10-Q for the quarters ended March 31, 2023, June 30, 2023 and September 30, 2023 (the "**2023 Quarterly Reports**" and, together with the 2022 Annual Report, the "**Reports**" and all financial statements included in the Reports, collectively, the "**Affected Financials**") should no longer be relied upon due to material errors due to the believed misappropriation of approximately $22.0 million of the Company's funds held by El Capitan Advisors, Inc. (as reported in press releases issued by the Company on November 17, 2023 and January 23, 2024). The impact of correcting these items was the recognition of a total of $16,283,225 provision for the misappropriated funds that has been reflected in the Affected Financials in the periods when the misappropriation occurred as reflected in the restated financial statements.

As a result of these adjustments, the following adjustments were made to the management's discussion and analysis of financial condition and results of operation for the three and six months ended June 30, 2023 as previously filed on SEDAR+ and EDGAR on August 9, 2023 (the "**Prior MD&A**"):

(i) In the "Results of Operations" section for the three and six months ended June 30, 2023, Interest income (expense) net and Provision for Misappropriated funds (as well as the flow-through impacts to, Total Other Income (Expense), Loss for the period before tax, Loss for the period, Loss per share for the period, and other applicable items) were updated due to the review discussed above. Relevant variance explanations were also updated as applicable.

(ii) In the "Liquidity and Capital Resources" section, working capital and Cash Flows from Operating Activities (as well as other applicable items) were updated due to the review discussed above. Relevant variance explanations were also updated as applicable.

(iii) In the "Controls and Procedures" section, the Conclusion Regarding the Effectiveness of Disclosure Controls and Changes in Internal Control over Financial Reporting subsections, were updated to reflect material weaknesses in the Company's internal control over financial reporting and disclosure controls and procedures identified after the filing of the Prior MD&A as well as remediation status of those additional material weaknesses.

Except as described above, this amended and restated management's discussion and analysis of financial condition and results of operations for the three and six months ended June 30, 2023 (this "**MD&A**") does not differ from the Prior MD&A. Other than as described above, the Company has not updated this MD&A to reflect any events that occurred subsequent to August 9, 2023, being the effective date of the Prior MD&A.

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 six months ended June 30, 2023. It is supplemental to, and should be read in conjunction with, our restated unaudited interim condensed consolidated financial statements for the three and six months ended June 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.

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 "Disclosures Regarding Forward-Looking Statements," identified in this Quarterly Report on Form 10-Q/A. 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/A for the fiscal year ended December 31, 2022, as filed with the Securities and Exchange Commission ("**SEC**") on March 23, 2023.

As of June 30, 2023, we employed approximately 650 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 June 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 June 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 June 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 June 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.

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 Second 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 June 30, 2023, and following that period until the filing date of this Form 10-Q/A:

On April 6, 2023, Board Member Michael Harman passed away. On May 10, 2023, the Board of Directors appointed Lee Fraser as an interim director and as the Audit Committee Chair.

On July 27, 2023, the Company held its Annual General and Special Meeting of Shareholders. At that meeting, our shareholders approved 1) the appointment of Robert Groesbeck, Larry Scheffler, Adrienne O'Neal, and Lee Fraser to serve as the Board of Directors until the Company's next annual shareholder meeting, 2) the re-appointment of Davidson & Company, LLP as the auditors of the Company and authorized the Board of Directors to fix the remuneration of the auditors, 3) a special resolution to approve a plan of arrangement (the "**Domestication Plan of Arrangement**") under Section 288 of the *Business Corporations Act* (British Columbia) ("**BCBCA**") involving, among other things, the continuance of the Company from British Columbia to the State of Nevada (the "**Nevada Domestication**"), as more particularly described in the proxy statement filed with the SEC on June 22, 2023 (the "**Proxy Statement**"), and 4) an ordinary resolution to approve and adopt the Planet 13 Holdings Inc. 2023 Equity Incentive Plan (the "**2023 Equity Incentive Plan**"), as more particularly described in the Proxy Statement. As of the filing date hereof, the Company is pursuing the conditions and steps, as described in the Proxy Statement, to complete the Domestication Plan of Arrangement and the Nevada Domestication.

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.

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Results of Operations

Expressed in USD$	**Restated Three Months Ended June 30, 2023**	June 30, 2022	**Percentage Change**
Revenue			
Net revenue	25,832,711	28,412,230	(9.1)%
Cost of Goods Sold	(13,950,477)	(14,587,723)	(4.4)%
Gross Profit	11,882,234	13,824,507	(14.0)%
Gross Profit Margin %	46.0%	48.7%	
Expenses			
General and Administrative	11,271,370	12,011,053	(6.2)%
Sales and Marketing	1,332,498	887,436	50.2%
Lease expense	794,389	779,050	2.0%
Depreciation and Amortization	1,986,578	1,963,937	1.2%
Total Expenses	15,384,835	15,641,476	(1.6)%
Income (Loss) From Operations	(3,502,601)	(1,816,969)	92.8%
Other Income (Expense):			
Interest expense, net	32,544	15,118	115.3%
Foreign exchange gain (loss)	4,229	74,543	(94.3)%
Change in fair value of warrants	—	2,635,425	(100.0)%
Provision for misappropriated funds	—	(5,000,000)	(100.0)%
Other income	1,712,598	(85,698)	(2098.4)%
Total Other Income (Expense)	1,749,371	(2,360,612)	(174.1)%
Loss for the period before tax	(1,753,230)	(4,177,581)	(58.0)%
Provision for income tax (current and deferred)	2,862,857	2,892,084	(1.0)%
Loss for the period	(4,616,087)	(7,069,665)	(34.7)%
Loss per share for the period			
Basic and fully diluted income (loss) per share	$ (0.02)	$ (0.03)	
Weighted Average Number of Shares Outstanding			
Basic and diluted	221,791,320	220,088,004	

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Expressed in USD$	Restated Six Months Ended June 30, 2023	June 30, 2022	Percentage Change
Revenue			
Net revenue	50,748,107	54,106,625	(6.2)%
Cost of Goods Sold	(27,983,062)	(27,381,114)	2.2%
Gross Profit	22,765,045	26,725,511	(14.8)%
Gross Profit Margin %	44.9%	49.4%	
Expenses			
General and Administrative	22,226,376	25,497,743	(12.8)%
Sales and Marketing	2,668,237	1,490,678	79.0%
Lease expense	1,579,025	1,260,297	25.3%
Depreciation and Amortization	4,222,042	4,003,989	5.4%
Total Expenses	30,695,680	32,252,707	(4.8)%
Income (Loss) From Operations	(7,930,635)	(5,527,196)	43.5%
Other Income (Expense):			
Interest expense, net	148,894	42,110	253.6%
Foreign exchange gain (loss)	6,116	(21,166)	(128.9)%
Change in fair value of warrants	18,127	6,795,234	(99.7)%
Provision for misappropriated funds	(2,000,000)	(7,000,000)	(71.4)%
Other income	1,857,205	228,767	711.8%
Total Other Income (Expense)	30,342	44,945	(32.5)%
Loss for the period before tax	(7,900,293)	(5,482,251)	44.1%
Provision for income tax (current and deferred)	(5,195,944)	(5,648,846)	(8.0)%
Loss for the period	(13,096,237)	(11,131,097)	17.7%
Loss per share for the period			
Basic and fully diluted income (loss) per share	$ (0.06)	$ (0.05)	
Weighted Average Number of Shares Outstanding			
Basic and diluted	221,439,841	212,869,574	

We experienced a 9.1% decrease in net revenue during the three months ended June 30, 2023, and a 6.2% decrease for the six months ended June 30, 2023 when compared to the three and six months ended June 30, 2022. The decrease is 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 of revenue from the Planet 13 OC Superstore and 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 $2,579,519 or 9.1% during the three months ended June 30, 2023, and decreased by $3,358,518 or 6.2% during the six months ended June 30, 2023 when compared to the three and six months ended June 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 six months ended June 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 six months ended June 30, 2023 when compared to the prior year period.

Details of net revenue by product category are as follows:

	Three Months Ended		
	June 30, 2023	June 30, 2022	**Percentage Change**
Flower	$ 8,508,917	$ 9,580,062	(11.2)%
Concentrates	7,134,512	7,882,794	(9.5)%
Edibles	4,301,583	4,981,664	(13.7)%
Topicals and Other Revenue	1,405,926	1,815,405	(22.6)%
Wholesale	4,481,774	4,152,305	7.9%
Net revenue	$ 25,832,712	$ 28,412,230	(9.1)%

	Six Months Ended		
	June 30, 2023	June 30, 2022	**Percentage Change**
Flower	$ 16,011,313	$ 18,813,413	(14.9)%
Concentrates	14,109,618	15,327,860	(7.9)%
Edibles	8,958,876	9,971,382	(10.2)%
Topicals and Other Revenue	2,633,096	3,685,661	(28.6)%
Wholesale	9,035,205	6,308,309	43.2%
Net revenue	$ 50,748,108	$ 54,106,625	(6.2)%

Gross profit margin for the three months ended June 30, 2023 was 46.0% compared to 48.7% for the three months ended June 30, 2022 and was 44.9%for the six months ended June 30, 2023 compared to 49.4% for the six months ended June 30, 2022. The decrease in gross profit margin for the three and six months ended June 30, 2023 was a result of increased sales incentives during the period coupled with 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 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 six months ended June 30, 2023, helping 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 six months ended June 30, 2023 and June 30, 2022, respectively. The amount of cannabis grown during the period increased when compared to the prior year period due to the full six 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 six months ended June 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 six months ended June 30, 2023.

Overall gross profit was $11,882,234 and $13,824,507 for the three months ended June 30, 2023 and 2022 respectively, a decrease of 14.0% or $1,942,273, and was $22,765,045 and $26,725,511 for the six months ended June 30, 2023 and 2022 respectively, a decrease of 14.8%.

General and Administrative ("**G&A**") expenses (which include non-cash share-based compensation expenses) decreased by 6.2% during the three months ended June 30, 2023when compared to the three months ended June 30, 2022 The decrease in G&A expenses incurred during both the three and six months ended June 30, 2023, was a result of focused cost-cutting initiatives undertaken by the Company and a reduction in share-based compensation expense recorded during the period. Overall, excluding non-cash share-based compensation expenses, G&A expenses as a percentage of revenue equaled 41.9% for the three months ended June 30, 2023, compared to 35.0% for the three months ended June 30, 2022, and was 41.2% and 33.1% for the six months ended June 30, 2023 and 2022 respectively.

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

	Three Months Ended		
	June 30, 2023	June 30, 2022	**Percentage Change**
Salaries and wages	$ 3,874,046	$ 3,816,040	1.5%
Executive compensation	736,104	760,226	(3.2)%
Licenses and permits	609,844	656,148	(7.1)%
Payroll taxes and benefits	857,998	1,042,807	(17.7)%
Supplies and office expenses	347,112	277,824	24.9%
Subcontractors	525,175	508,254	3.3%
Professional fees (legal, audit and other)	2,373,634	1,292,823	83.6%
Miscellaneous general and administrative expenses	1,344,830	1,595,852	(15.7)%
Share-based compensation expense	602,627	2,061,079	(70.8)%
	$ 11,271,370	$ 12,011,053	(6.2)%

	Six Months Ended		
	June 30, 2023	June 30, 2022	**Percentage Change**
Salaries and wages	$ 7,544,118	$ 7,794,850	(3.2)%
Executive compensation	1,323,618	4,116,573	(67.8)%
Licenses and permits	1,467,281	1,433,840	2.3%
Payroll taxes and benefits	1,251,446	1,457,665	(14.1)%
Supplies and office expenses	1,730,171	2,060,776	(16.0)%
Subcontractors	666,198	500,456	33.1%
Professional fees (legal, audit and other)	1,031,962	1,132,897	(8.9)%
Miscellaneous general and administrative expenses	4,585,433	3,510,448	30.6%
Share-based compensation expense	2,626,149	3,490,238	(24.8)%
	$ 22,226,376	$ 25,497,743	(12.8)%

Non-cash, share based compensation of $602,627 was recognized during the three months ended June 30, 2023, decreasing from $2,061,079 that was recognized during the three months ended June 30, 2022. For the six months ended June 30, 2023, non-cash share-based compensation expense was $2,626,149, a decrease of 24.8% over the $3,490,238 recognized during the six months ended June 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 50.2% or $445,062 during the three months ended June 30, 2023, and by 79.0% or $1,177,559 for the six months ended June 30, 2023 when compared to the three and six months ended June 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 2.0% during the three months ended June 30, 2023, when compared to the three months ended June 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 six months ended June 30, 2023 increased by 25.3% compared to the six months ended June 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 increased 1.2% during the three months ended June 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 six months ended June 30, 2023, depreciation and amortization increased 5.4% when compared to the prior year period because of the recording of depreciation on the NGW cultivation facility for a full six months when compared to the prior year period.

Interest income was $32,544 earned during the three months ended June 30, 2023, compared to interest income of $15,118 earned during the three months ended June 30, 2022 (interest income of $148,894 for the six months ended June 30, 2023 compared to interest income of $42,110 during the six months ended June 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 interest previously recognized included interest reported on the misappropriated funds. This excess interest has been removed and the amounts included in this restatement are actual cash interest received and paid on funds held net of the misappropriated funds. The balance of long-term debt as of June 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$1.3240 at June 30, 2023 and averaged USD$1.00=CAD$1.3477 during the six months ended June 30, 2023, resulting in our realizing a foreign exchange gain of $4,229 during the three months ended June 30, 2023, compared to a foreign exchange gain of $74,543 during the three months ended June 30, 2022 (foreign exchange gain of $6,116 for the six months ended June 30, 2023, compared to a loss of $21,166 for the six months ended June 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 June 30, 2023, the change in fair value of the warrants resulted in a gain of $0 (gain of $18,127 during the six months ended June 30, 2023) compared to a gain of $2,635,425 for the three months ended June 30, 2022 (gain of $6,795,234 for the six months ended June 30, 2022).

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 three months ended June 30, 2023, $0 was misappropriated compared to $5,000,000 that was misappropriated during the three months ended June 30, 2022. During the six months ended June 30, 2023, approximately $2,000,000 was misappropriated and this resulted in an increase to the net loss for the year by $2,000,000. This compares to $7,000,000 that was misappropriated during the six months ended June 30, 2022 which resulted in a $7,000,000 increase in the net loss. 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. See Explanatory Note to this Form 10-Q/A for further information.

Other income (expense), consisting of Employer Retention Credits, Automated Teller Machine ("**ATM**") fees, interest and other miscellaneous income/expense was income of $1,712,598 for the three months ended June 30, 2023, compared to other expense of $85,698 for the three months ended June 30, 2022. Other income for the six months ended June 30, 2023 was $1,857,205 compared to other income of $228,767 for the six months ended June 30, 2022.

The income tax expense for the three months ended June 30, 2023, was $2,862,857 compared to $2,892,084 for the prior year period. The tax expense decreased due to the decrease in taxable profitability during the three months ended June 30, 2023, when compared to the three months ended June 30, 2022. Income tax expense for the six months ended June 30, 2023, was $5,102,894 compared to $5,642,251 for the six months ended June 30, 2022. The tax expense decreased due to the decrease in taxable profitability during the six months ended June 30, 2023, when compared to the six months ended June 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 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 three months ended June 30, 2023, was $4,616,087 ($0.02 per share) compared to an overall net loss of $7,069,665 (($0.03) per share) for the three months ended June 30, 2022. The overall net loss for the six months ended June 30, 2023, was $13,096,237 ($0.06 per share) compared to an overall net loss of $11,131,097 (($0.05) per share) for the six months ended June 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 June 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 June 30, 2023, we had working capital of $31,121,499 compared to working capital of $41,556,926 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 six months ended June 30, 2023 and 2022:

	Six Months Ended	
	June 30, 2023	June 30, 2022
Cash flows used in operating activities	(9,168,308)	(5,844,865)
Cash flows used in investing activities	(4,896,224)	(10,259,044)
Cash flows provided by financing activities	-	-

Cash Flows from Operating Activities

Net cash used in operating activities was ($9,168,308) for the six months ended June 30, 2023, compared to cash used in operating activities of ($5,844,865) for the six months ended June 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 six months ended June 30, 2023, when compared to the six months ended June 30, 2022.

Cash Flows from Investing Activities

Net cash used in investing activities was $4,896,224 for the six months ended June 30, 2023, compared to net cash used in investing activities of $10,259,044 for the six months ended June 30, 2022. The change in cash used in investing activities for the six months ended June 30, 2023 decreased by $5,362,820 as a result of fewer development projects that were in process during the 2023 period when compared to the six months ended June 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 Q4 2023. During the six months ended June 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 six months ended June 30, 2023, compared to net cash provided by financing activities of $97,980 for the six months ended June 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 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 period. We are not subject to externally imposed capital requirements.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as of June 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/A 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/A 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 the Original Filing, as of June 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 upon that evaluation, at the time the Original Filing was filed, our management concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of June 30, 2023.

In connection with the Restatement, management has reassessed its evaluation of the effectiveness of its internal control over financial reporting and disclosure controls and procedures as of June 30, 2023. Based on such re-assessment, management confirmed that the material weaknesses described in the Annual Report on Form 10-K/A for the year ended December 31, 2022 continue to be material weaknesses as of the time of the re-assessment and that these same material weaknesses contributed to the Restatement.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. We identified that certain process-level controls associated with third-party vendor selection, retention and monitoring and well as processes designed to mitigate risks associated with fraud were not operated effectively. These ineffective controls were attributable to insufficient policies, procedures and training that impaired our ability to timely discover potential third-party fraudulent activity.

The control deficiencies described above created a reasonable possibility that a material misstatement to the consolidated financial statements would not be prevented or detected on a timely basis. Therefore, we concluded that the deficiencies, in the aggregate, represent material weaknesses in our internal control over financial reporting. Accordingly, we concluded that our internal controls over financial reporting and disclosure controls and procedures were not effective as of June 30, 2023.

The above-described material weaknesses have not been remediated as of the filing of this Quarterly Report on Form 10-Q. Since identifying the material weaknesses described above, management, with oversight from the Audit Committee, has already implemented and continues to implement enhanced policies and procedures intended to address both the identified material weaknesses and to enhance the Company's overall internal control over financial reporting and disclosure controls and procedures. As part of the remediation, we have also added an independent director to the Board who now serves as chairman of the audit committee. The former chair of the audit committee has become an executive director and has taken on the role of Chief Administrative Officer and is overseeing the internal audit function for the Company.

As we continue to evaluate and improve our internal control over financial reporting and disclosure controls and procedures, management may determine to take additional measures to improve controls and determine to modify the remediation plan described above. We are working to remediate the material weaknesses as efficiently and effectively as possible, but the material weaknesses cannot be considered fully remediated until the updated policies and training have been in place and operated for a sufficient period of time to enable management to conclude, through testing, that these controls are designed and operating effectively. Accordingly, management will continue to monitor and evaluate the effectiveness of our internal control over financial reporting in the activities affected by the material weaknesses described above.

Changes in Internal Control Over Financial Reporting

Other than the material weaknesses and remediation discussed above, there were no changes in our internal control over financial reporting (as such term is defined by Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.