
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 4, 2024

PLANET 13 HOLDINGS INC.

(Exact name of registrant as specified in its charter)

<u>Nevada</u> (State or other jurisdiction of incorporation)	<u>000-56374</u> (Commission File Number)	<u>83-2787199</u> (I.R.S. Employer Identification Number)
<u>2548 West Desert Inn Road, Suite 100 Las Vegas, Nevada</u> (Address of principal executive offices)		<u>89109</u> (Zip Code)

(702) 815-1313

(Registrant's telephone number, including area code)

Not applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.424)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act: None

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 7.01. Regulation FD Disclosure.

On March 4, 2024, Planet 13 Holdings Inc. (the “Company”) announced the commencement of an underwritten public offering of its units (the “Offering”), each consisting of one share of common stock, no par value, of the Company (“Common Stock”) and a warrant to purchase one share of Common Stock. The Company will file with the Securities and Exchange Commission a preliminary prospectus supplement (the “Preliminary Prospectus Supplement”) to its effective shelf registration statement on Form S-3 (Registration No. No. 333-274829) pursuant to Rule 424(b)(3) under the Securities Act of 1933, as amended (the “Securities Act”), relating to the Offering.

On March 4, 2024, the Company issued a press release announcing the commencement of the Offering. A copy of the press release is furnished as Exhibit 99.1 hereto and is incorporated into this Item 7.01 by reference.

In connection with the Offering, the Company intends to provide certain additional disclosures to investors related to the Company’s previously announced acquisition (the “Pending Acquisition”) of VidaCann, LLC (“VidaCann”) and the Company’s related sale of all of the issued and outstanding shares of common stock of Planet 13 Florida Inc. (the “Pending Disposition” and, together with the Pending Acquisition, the “Pending Transactions”), which owns a Florida Medical Marijuana Treatment Center license (the “MMTC License”). The sale of the MMTC License is a closing condition to the Pending Acquisition. The Pending Transactions are expected to close in the first quarter of 2024 or early in the second quarter of 2024, subject to customary closing conditions, including the receipt of approval from the applicable state cannabis regulators.

In connection with the Pending Transactions, the Company is filing this Current Report on Form 8-K (this “Current Report”) to provide certain historical financial statements of VidaCann and pro forma financial information of the Company including VidaCann.

The information set forth in Item 7.01 of this Current Report, including Exhibit 99.1 attached hereto, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of such section. The information set forth in Item 7.01 of this Current Report, including Exhibit 99.1 attached hereto, shall not be incorporated by reference into any filing under the Securities Act or the Exchange Act, regardless of any incorporation by reference language in any such filing.

Item 8.01. Other Events

The information set forth in Item 7.01 of this Current Report regarding the historical financial statements of VidaCann and pro forma financial information of the Company including VidaCann is incorporated herein by reference into this Item 8.01.

The Company has attached hereto as Exhibits 99.2, 99.3, 99.4 and 99.5 and incorporated by reference in this Item 8.01 the following:

- the unaudited pro forma condensed combined financial statements of the Company as of September 30, 2023, for the year ended December 31, 2022 and for the nine months ended September 30, 2023, giving effect to the Pending Transactions, and the notes related thereto, are attached hereto as Exhibit 99.2;
- the audited financial statements of VidaCann as of December 31, 2021 and for the year ended December 31, 2021, and the notes related thereto, are attached hereto as Exhibit 99.3;
- the audited financial statements of VidaCann as of December 31, 2022 and for the year ended December 31, 2022, and the notes related thereto, are attached hereto as Exhibit 99.4; and
- the unaudited financial statements of VidaCann as of September 30, 2023 and for the nine months ended September 30, 2023, and the notes related thereto, are attached hereto as Exhibit 99.5.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
23.1	Consent of Masters, Smith & Wisby, P.A. (VidaCann 2021).
23.2	Consent of Masters, Smith & Wisby, P.A. (VidaCann 2022).
99.1	Press Release dated March 4, 2024.
99.2	Unaudited pro forma condensed combined financial statements of Planet 13 Holdings Inc. as of September 30, 2023, for the year ended December 31, 2022 and for the nine months ended September 30, 2023, and the notes related thereto.
99.3	Audited financial statements of VidaCann, LLC as of December 31, 2021 and for the year ended December 31, 2021, and the notes related thereto.
99.4	Audited financial statements of VidaCann, LLC as of December 31, 2022 and for the year ended December 31, 2022, and the notes related thereto.
99.5	Unaudited financial statements of VidaCann, LLC as of September 30, 2023 and for the nine months ended September 30, 2023, and the notes related thereto.
104	Cover Page Interactive Data File – the cover page XBRL tags are embedded within the Inline XBRL document.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Planet 13 Holdings Inc.

Date: March 4, 2024

By: /s/ Robert Groesbeck
Name: Robert Groesbeck
Its: Co-Chief Executive Officer

Date: March 4, 2024

By: /s/ Larry Scheffler
Name: Larry Scheffler
Its: Co-Chief Executive Officer

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-274829) and Form S-8 (No. 333-264140 and No. 333-274566) of Planet 13 Holdings Inc. of our report dated May 31, 2022, relating to the financial statements of VidaCann LLC for the year ended December 31, 2021 appearing in this Current Report on Form 8-K dated March 4, 2024.

/s/ Masters, Smith & Wisby, P.A.

Jacksonville, Florida
March 4, 2024

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-274829) and Form S-8 (No. 333-264140 and No. 333-274566) of Planet 13 Holdings Inc. of our report dated May 19, 2023, relating to the financial statements of VidaCann LLC for the year ended December 31, 2022 appearing in this Current Report on Form 8-K dated March 4, 2024.

/s/ Masters, Smith & Wisby, P.A.

Jacksonville, Florida
March 4, 2024



Planet 13 Announces Commencement of Underwritten Public Offering of Units

Las Vegas, Nevada – March 4, 2024 – Planet 13 Holdings Inc. (CSE: PLTH) (OTCQX: PLNH) (“Planet 13” or the “Company”), today announced that it has commenced an underwritten public offering (the “Offering”) of units (the “Units”), each Unit expected to consist of one share (each, a “Share”) of common stock, no par value, of the Company (“Common Stock”) and one warrant (each, a “Warrant”) to purchase one share of Common Stock. The Company expects to grant the underwriters a 30-day option to purchase additional Shares and/or Warrants. The Offering is subject to market conditions and there can be no assurance as to whether or when the Offering may be completed or as to the actual size or terms of the Offering.

The Company intends to use the net proceeds from the Offering for working capital and general corporate purposes, which may include, but are not limited to, the acquisition of additional retail cannabis licenses in the state of Nevada, the expansion of its retail presence in Florida and Illinois and other capital improvements.

Canaccord Genuity is acting as sole book-running manager of the Offering on behalf of a syndicate of underwriters which includes Beacon Securities Limited.

The Offering is being made pursuant to a shelf registration statement on Form S-3 (File No. 333-274829), including a base prospectus, which was filed with the Securities and Exchange Commission (the “SEC”) and became effective on October 17, 2023. The preliminary prospectus supplement, and accompanying base prospectus, relating to the Offering, and a final prospectus supplement, when available, will be filed with the SEC and will be available on the SEC’s website at www.sec.gov. Before investing in the Offering, you should read the preliminary prospectus supplement and the accompanying prospectus relating to the Offering in their entirety as well as the other documents that Planet 13 has filed with the SEC that are incorporated by reference in the preliminary prospectus supplement and the accompanying prospectus.

The Units will be offered in Canada pursuant to the Company’s existing multijurisdictional disclosure system (“MJDS”) short form base shelf prospectus dated October 17, 2023 that was filed with the securities commissions or similar securities regulatory authorities in each of the provinces and territories of Canada (the “Canadian Regulators”). No Units, Shares or Warrants will be distributed or offered in the Province of Quebec or to Quebec subscribers. A preliminary MJDS prospectus supplement and a final MJDS prospectus supplement, when filed, will be available under the Company’s SEDAR+ profile at www.sedarplus.ca. Before investing in the Offering, you should read the preliminary MJDS prospectus supplement and the accompanying prospectus relating to the Offering in their entirety as well as the other documents that the Company has filed with the Canadian Regulators that are incorporated by reference in the preliminary MJDS prospectus supplement and the accompanying prospectus.

Electronic copies of the preliminary prospectus supplement and accompanying prospectus and the preliminary MJDS prospectus supplement and the accompanying prospectus related to the Offering may also be obtained, when available, by contacting Canaccord Genuity LLC, Attention: Syndicate Department, One Post Office Square, 30th Floor, Suite 3000, Boston MA 02109, or by email at prospectus@cgf.com.

This news release shall not constitute an offer to sell or a solicitation of an offer to buy these or any other securities, nor shall there be any sale of these or any other securities in any jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

About Planet 13

Planet 13 is a vertically integrated cannabis company, with award-winning cultivation, production and dispensary operations across its locations in California, Nevada, Illinois, and upcoming sites in Florida. Home to the nation's largest dispensary located just off The Strip in Las Vegas, Planet 13 recently opened its first Illinois dispensary in Waukegan, bringing unparalleled cannabis experiences to the Chicago metro area. Planet 13 holds a medical marijuana treatment center license in Florida allowing for state-wide expansion throughout the Sunshine State. Planet 13's mission is to build a recognizable global brand known for world-class dispensary operations and innovative cannabis products. Licensed cannabis activity is legal in the states Planet 13 operates in but remains illegal under U.S. federal law. Planet 13's shares trade on the Canadian Securities Exchange (CSE) under the symbol PLTH and are quoted on the OTCQX under the symbol PLNH.

Forward-Looking Statements

This news release includes forward-looking information and statements, which may include, but are not limited to, information and statements regarding the Offering, completion of the Offering and the intended use of the net proceeds of the Offering. Words such as "expects", "continue", "will", "anticipates" and "intends" or similar expressions are intended to identify forward-looking statements. These forward-looking statements are based on the Company's current projections and expectations about future events and financial trends that management believes might affect the Offering, including whether or when the Offering may be completed and the actual size or terms of the Offering, the Company's financial condition, results of operations, business strategy and financial needs, and on certain assumptions and analysis made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors management believes are appropriate.

Forward-looking information and statements involve and are subject to assumptions and known and unknown risks, uncertainties, and other factors which may cause actual events, results, performance, or achievements of the Company to be materially different from future events, results, performance, and achievements expressed or implied by forward-looking information and statements herein. Such factors include, among others: the risks and uncertainties identified or incorporated by reference in the MJDS short form base shelf prospectus of the Company and the registration statement and in the Company's other reports and filings with the Canadian Regulators and the SEC. Although the Company believes that any forward-looking information and statements herein are reasonable, in light of the use of assumptions and the significant risks and uncertainties inherent in such information and statements, there can be no assurance that any such forward-looking information and statements will prove to be accurate, and accordingly readers are advised to rely on their own evaluation of such risks and uncertainties and should not place undue reliance upon such forward-looking information and statements. Any forward-looking information and statements herein are made as of the date hereof, and except as required by applicable laws, the Company assumes no obligation and disclaims any intention to update or revise any forward-looking information and statements herein or to update the reasons that actual events or results could or do differ from those projected in any forward looking information and statements herein, whether as a result of new information, future events or results, or otherwise, except as required by applicable laws.

The CSE has not reviewed, approved or disapproved the content of this news release.

For further inquiries, please contact:

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Robert Groesbeck or Larry Scheffler
Co-Chief Executive Officers
ir@planet13lasvegas.com

Planet 13 Holdings Inc.
Unaudited Pro Forma Condensed Combined
Financial Statements
As of September 30, 2023
(Unaudited and Expressed in United States dollars)

The unaudited pro forma condensed combined financial statements of Planet 13 Holdings Inc. (“Planet 13” or the “Company”) consist of a condensed combined balance sheet at September 30, 2023, and condensed combined statements of operations and comprehensive loss for the nine months ended September 30, 2023 and the year ended December 31, 2022, all of which reflect the Company’s anticipated acquisition of VidaCann LLC (“VidaCann”) and the anticipated disposition of Planet 13 Florida Inc. (“P13 Florida”) (such acquisition and disposition referred to herein as the “Transactions”). The unaudited pro forma condensed combined financial statements included herein have been derived from the following historical financial statements:

- The amended and restated audited consolidated financial statements of Planet 13 as at and for the year ended December 31, 2022;
- The audited financial statements of VidaCann as at and for the year ended December 31, 2022;
- The amended and restated unaudited interim condensed consolidated financial statements of Planet 13 as at and for the nine-month period ended September 30, 2023; and,
- The unaudited interim condensed financial statements of VidaCann as at and for the nine-month period ended September 30, 2023.

The unaudited pro forma condensed combined financial statements should be read in conjunction with the related notes, which are included herein, the financial statements and notes included in Planet 13’s Annual Report on Form 10-K for the year ended December 31, 2022, filed with the Securities and Exchange Commission (the “SEC”) on March 23, 2023, as amended by Amendment No. 1 on Form 10-K/A for the fiscal year ended December 31, 2022, filed with the SEC on February 20, 2024 and Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, filed with the SEC on November 8, 2023, as amended by Amendment No. 1 on Form 10-Q/A for the quarter ended September 30, 2023, filed with the SEC on February 20, 2024 and the financial statements and notes of VidaCann attached as Exhibits 99.3, 99.4, and 99.5 in Planet 13’s Current Report on Form 8-K filed with the SEC on March 4, 2024.

The unaudited pro forma condensed combined financial statements are presented for illustrative purposes only and do not necessarily reflect what the combined financial condition and results of operations would have reflected had the Transactions occurred on the dates indicated. They also may not be useful in predicting the future financial condition and results of the operations of the combined company. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors.

The unaudited pro forma information and adjustments are based upon current available information and certain assumptions that we believe are reasonable in the circumstances, as described in the notes to the unaudited pro forma condensed combined financial statements. The actual adjustments to Planet 13’s consolidated financial statements recorded upon approval of the Transaction will likely differ from those recorded in the unaudited pro forma condensed combined financial statements.

PLANET 13 HOLDINGS INC.
PRO FORMA COMBINED BALANCE SHEETS (UNAUDITED)
AS AT SEPTEMBER 30, 2023
(EXPRESSED IN UNITED STATES DOLLARS)

	<i>Amended & Restated Planet 13 Holdings Inc.</i>	<i>Amended & Restated VidaCann LLC</i>	Note	Adjustments	Combined
	\$	\$		\$	\$
ASSETS					
Current					
Cash	15,090,441	2,220,063	4 (a) 4 (a) 4 (b)	(750,000) (4,000,000) 9,000,000	12,560,504 9,000,000
Restricted Cash	5,400,000				5,400,000
Accounts Receivable	1,220,209	-		-	1,220,209
Inventory	14,882,790	7,274,944		-	22,157,734
Prepaid expenses and Other Current Assets	3,189,576	124,056		-	3,313,632
	39,783,016	9,619,063		4,250,000	53,652,079
Long-term					
Property and Equipment	68,259,905	18,322,587			86,582,492
Intangible Assets	15,253,797	81,081			15,334,878
Goodwill	-	-	4 (c)	55,408,983	55,408,983
P 13 Florida License	16,197,418	-	4 (b), 4 (d)	(16,197,418)	-
Right of Use Assets - operating	21,418,730	21,860,783		-	43,279,513
Long-term Deposits and Other Assets	832,853	381,600		-	1,214,453
Deferred Tax Assets	350,001	-		-	350,001
Total assets	162,095,720	50,265,114		43,461,565	255,822,399
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Accounts Payable	2,709,208	283,197		-	2,992,405
Accrued Expenses	6,318,105	667,989		-	6,986,094
Income Tax Payable	2,855,316	-		-	2,855,316
Notes Payable - Current Portion	884,000	3,057,735	4 (e)	5,000,000	8,941,735
Operating Lease Liabilities	580,142	4,086,119		-	4,666,261
	13,346,771	8,095,040		5,000,000	26,441,811
Long-term Liabilities					
Operating Lease Liabilities	26,663,701	17,950,342		-	44,614,043
Bank Debt	-	128,850		-	128,850
Due to Members	-	2,194,481		-	2,194,481
Other Long-term Liabilities	28,000	-		-	28,000
Deferred tax Liability	1,480,695	-		-	1,480,695
Total Liabilities	41,519,167	28,368,713		5,000,000	74,887,880
Shareholders' Equity					
Common Stock , no par value, 1,500,000,000 shares authorized, 222,247,854 issued and outstanding at Sept 30, 2023	-	-		-	-
Preferred Stock , no par value, 50,000,000 shares authorized, 0 issued and outstanding at Sept 30, 2023	-	-		-	-
Member's Equity	-	21,896,401	4 (f)	(21,896,401)	-
Additional Paid-in Capital	314,628,834	-	4 (g)	67,555,384	382,184,218
Deficit	(194,052,281)	-	4 (d)	(7,197,418)	(201,249,699)
Total Shareholders' Equity	120,576,553	21,896,401		38,461,565	180,934,519
Total Liabilities and Shareholders' Equity	162,095,720	50,265,114		43,461,565	255,822,399

The accompanying notes are an integral part of the financial statements.

PLANET 13 HOLDINGS INC.
PRO FORMA COMBINED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(EXPRESSED IN UNITED STATES DOLLARS)

	Planet 13 Holdings Inc.	VidaCann LLC			Combined
	Amended & Restated Nine Months Ended 30-Sep-23	Amended & Restated Nine Months Ended 30-Sep-23	Note	Adjustments	Nine Months Ended 30-Sep-23
	\$	\$			
Revenue, net of discounts	75,536,347	24,794,348		-	100,330,695
Cost of Goods Sold	(41,698,369)	(15,543,121)		-	(57,241,490)
Gross Profit	33,837,978	9,251,227		-	43,089,205
Expenses					
General and Administrative	33,567,055	5,314,073		-	38,881,128
Sales and Marketing	4,016,503	344,057		-	4,360,560
Lease Expense	2,346,885	3,169,383		-	5,516,268
Impairment Loss	39,649,448	-	4 (d)	7,197,418	46,846,866
Depreciation and Amortization	6,187,650	889,949		-	7,077,599
Total Expenses	85,767,541	9,717,462		7,197,418	102,682,421
Income (Loss) from Operations	(51,929,563)	(466,235)		(7,197,418)	(59,593,216)
Other Income (Expense):					
Interest Income (expense), Net	159,728	(261,134)		-	(101,406)
Foreign exchange gain/(loss)	6,318	-		-	6,318
Change in fair value of warrant liability	18,127	-		-	18,127
Provision for misappropriated funds	(2,000,000)	-		-	(2,000,000)
Loss on Sale of Equipment	-	(72,508)		-	(72,508)
Other income, net	1,956,064	2,848,264		-	4,804,328
Total Other Income	140,237	2,514,622		-	2,654,859
Income (Loss) Before Provision for Income Taxes	(51,789,326)	2,048,387		(7,197,418)	(56,938,357)
Provision For Income Taxes					
Current Tax Expense	(7,571,404)	-	4 (h)	(1,942,758)	(9,514,162)
Deferred Tax Recovery	10,253	-		-	10,253
	(7,561,151)	-		(1,942,758)	(9,503,909)
Net Income (Loss) and Comprehensive Income (Loss)	(59,350,477)	2,048,387		(9,140,176)	(66,442,266)
Basic and diluted loss per share	(0.27)	-			(0.22)
Weighted Average Number of shares of Common Stock					
Basic and Diluted	221,712,138		5	78,461,538	300,173,676

The accompanying notes are an integral part of the financial statements.

PLANET 13 HOLDINGS INC.
PRO FORMA COMBINED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2022
(EXPRESSED IN UNITED STATES DOLLARS)

	Planet 13 Holdings Inc. Amended & Restated Year Ended 31-Dec-22	VidaCann LLC Year Ended 31-Dec-22	Note	Adjustments	Combined Year Ended 31-Dec-22
	\$	\$			
Revenue, net of discounts	104,574,377	36,565,102		-	141,139,479
Cost of Goods Sold	(56,599,623)	(23,328,038)		-	(79,927,661)
Gross Profit	47,974,754	13,237,064		-	61,211,818
Expenses					
General and Administrative	49,395,500	6,151,920		-	55,547,420
Sales and Marketing	3,504,309	666,371		-	4,170,680
Lease Expense	2,744,532	3,990,596		-	6,735,128
Impairment Loss	32,750,466	-		-	32,750,466
Depreciation and Amortization	8,337,476	1,031,103		-	9,368,579
Total Expenses	96,732,283	11,839,990		-	108,572,273
Income (Loss) from Operations	(48,757,529)	1,397,074		-	(47,360,455)
Other Income (Expense):					
Interest Income (Expense), Net	189,473	(344,777)		-	(155,304)
Foreign exchange gain/(loss)	(25,528)	-		-	(25,528)
Change in fair value of warrant liability	7,177,805	-		-	7,177,805
Gain on Sale-Leaseback	509,392	-		-	509,392
Provision for misappropriated funds	(10,300,000)	-		-	(10,300,000)
Gain on Sale of Equipment	-	16,800		-	16,800
Other income, net	413,029	-		-	413,029
Total Other Income (Loss)	(2,035,829)	(327,977)		-	(2,363,806)
Income (Loss) Before Provision for Income Taxes	(50,793,358)	1,069,097		-	(49,724,261)
Provision For Income Taxes					
Current Tax Expense	(10,672,538)	-	4 (h)	(2,779,783)	(13,452,321)
Deferred Tax Recovery	1,920,177	-		-	1,920,177
	(8,752,361)	-		(2,779,783)	(11,532,144)
Net Income (Loss) and Comprehensive Income (Loss)	(59,545,719)	1,069,097		(2,779,783)	(61,256,405)
Basic and diluted loss per share	(0.27)	-			(0.21)
Weighted Average Number of shares of Common Stock					
Basic and Diluted	216,586,621	-	5	78,461,538	295,048,159

The accompanying notes are an integral part of the financial statements.

PLANET 13 HOLDINGS INC.
NOTES TO THE PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED)
AS OF SEPTEMBER 30, 2023
(EXPRESSED IN UNITED STATES DOLLARS)

1. BASIS OF PRESENTATION

The accompanying unaudited pro forma condensed combined financial statements of Planet 13 Holdings Inc. (“Planet 13” or the “Company”) have been prepared by management to reflect the acquisition of VidaCann LLC (“VidaCann”) and the disposition of Planet 13 Florida Inc. (“P13 Florida”) after giving effect to the proposed transactions (the “Transactions”) as described in Note 3.

The pro forma consolidated financial statements as at, and for the nine-month period ended September 30, 2023 have been compiled from:

- The amended and restated audited financial statements of Planet 13 as at and for the year ended December 31, 2022;
- The audited financial statements of VidaCann as at and for the year ended December 31, 2022;
- The amended and restated unaudited interim condensed consolidated financial statements of Planet 13 as at and for the nine-month period ended September 30, 2023; and
- The unaudited interim condensed financial statements of VidaCann as at and for the nine-month period ended September 30, 2023.

In the opinion of Planet 13’s management, all material adjustments have been made that are necessary to present fairly, in accordance with Article 11 of Regulation S-X under the Securities Act of 1933, as amended, the pro forma financial statements. These unaudited pro forma consolidated financial statements are not necessarily indicative of the Company’s financial position on closing of the proposed transactions. In preparing these unaudited pro forma consolidated financial statements, no adjustments have been made to reflect additional costs or savings that could result from the transaction described in Note 3. Actual amounts recorded upon approval of the transaction will likely differ from those recorded in the unaudited pro forma consolidated financial statements.

The accompanying unaudited pro forma consolidated financial statements of the Company were prepared in accordance with US GAAP Reporting Standards (“US GAAP”), of Planet 13 and VidaCann to show effect of the proposed transaction as discussed in Note 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited pro forma consolidated financial statements have been compiled using the significant accounting policies as set out in the amended and restated audited consolidated financial statements of Planet 13 as of December 31, 2022. Management has determined that no material pro forma adjustments are necessary to conform the VidaCann accounting policies to the accounting policies used by Planet 13 in the preparation of its audited financial statements.

3. PROPOSED TRANSACTION

On August 28, 2023, Planet 13 entered into a Membership Interest Purchase Agreement (the “Purchase Agreement”) with 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 and Mark Ascik.

PLANET 13 HOLDINGS INC.
NOTES TO THE PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED)
AS OF SEPTEMBER 30, 2023
(EXPRESSED IN UNITED STATES DOLLARS)

Pursuant to the Purchase Agreement, the Company will acquire VidaCann from the Sellers for agreed consideration of: (i) 78,461,538 common shares in the capital of the Company (the “Base Share Consideration”), of which 1,307,698 shares will be issued to VidaCann’s industry advisor (the “VC Advisor”), subject to adjustments as set out in the Purchase Agreement; (ii) a cash payment of \$4,000,000 (the “Closing Cash Payment”), subject to adjustments as set out in the Purchase Agreement; and (iii) promissory notes to be issued by the Company to the Sellers in the aggregate principal amount of \$5,000,000, subject to adjustments as set out in the Purchase Agreement. On September 30, 2023, the closing price of Planet 13 common stock was \$0.86 as quoted on the OTCQX, the total consideration is valued at approximately \$77,305,384. The Purchase Agreement contemplates that VidaCann will continue to have \$3,000,000 of bank notes and \$1,500,000 or less of related party notes payable to former VidaCann owners at the time of closing. The final determination of the consideration transferred and the related allocation of the fair value of the underlying net assets of VidaCann pursuant to the Purchase Agreement will ultimately be determined after the closing of the Transactions.

Post-transaction, and based on the number of outstanding shares as of September 30, 2023, the former equity holders of VidaCann, along with the VC Advisor, will have approximately 26.1% pro forma ownership of Planet 13 on a fully diluted basis, before factoring in any adjustments to the Base Share Consideration. Each Seller or equity holder of a Seller that holds over 5% in indirect interest in VidaCann and receives shares 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 on the same date in each subsequent six months thereafter. The proposed transaction is expected to close in the first quarter of 2024 or early in the second quarter of 2024, subject to customary closing conditions, including the receipt of approval from the applicable state cannabis regulators.

The Sellers will be granted the right on closing to nominate a director to the board of directors of Planet 13.

On January 22, 2024, Planet 13 entered into a Stock Purchase Agreement (the “Disposition Agreement”) with SGW FL Enterprises, LLC (the “SGWFL”), pursuant to which Planet 13 we will sell all of the issued and outstanding shares of common stock (the “P13 Florida Shares”) of P13 Florida, which owns a Planet 13’s Florida Medical Marijuana Treatment Center license (the “MMTC License”), for a cash payment at closing of \$9,000,000. The sale of the MMTC License is a closing condition to the Pending Acquisition.

The disposition of P13 Florida is expected to close in the first quarter of 2024 or early in the second quarter of 2024, subject to customary closing conditions, including the receipt of approval from the applicable state cannabis regulators.

4. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS

The unaudited pro forma condensed combined statement of financial position reflects the following adjustments as if the Transactions had occurred on September 30, 2023. The unaudited pro-forma condensed combined statements of operations and comprehensive loss for the year ended December 31, 2022 and for the nine months ended September 30, 2023 reflect the following adjustments as if the acquisition had occurred on January 1, 2022.

PLANET 13 HOLDINGS INC.
NOTES TO THE PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED)
AS OF SEPTEMBER 30, 2023
(EXPRESSED IN UNITED STATES DOLLARS)

The unaudited pro forma condensed combined financial statements have been presented giving effect to the following assumptions and pro forma adjustments:

- a) To record \$4,750,000 to the consolidated cash balance representing a \$4,000,000 cash payment to the VidaCann Members on closing and the payment of \$750,000 in estimated transaction costs.
- b) An increase in cash of \$9,000,000 representing the cash proceeds to be realized on the sale of P13 Florida to a third party. The closing of the VidaCann acquisition is contingent on the sale of one of the MMTC Licenses to a third party acceptable to the Florida Office of Medical Marijuana Use.
- c) To record the Transactions in accordance with ASC 805 as at September 30, 2023:

Planet 13 Shares of common stock issued		78,461,538
Share price on September 30, 2023	\$	0.86
Value of share consideration	\$	67,555,384
Cash	\$	4,000,000
Vendor-Take-Back Notes	\$	5,000,000
Transaction Costs	\$	750,000
Total consideration	\$	<u>77,305,384</u>
Less : Net Book Value of VidaCann	\$	<u>21,896,401</u>
Estimated Goodwill	\$	<u>55,408,983</u>

The Company estimates that the value ascribed to goodwill as part of the acquisition is \$55,408,983.

- d) To record a further impairment charge of \$7,197,418 to be recognized on the sale of the MMTC License.
- e) To record \$5,000,000 pertaining to vendor take-back notes, pursuant to the Purchase Agreement, that will be issued to VidaCann members on closing.

PLANET 13 HOLDINGS INC.
NOTES TO THE PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED)
AS OF SEPTEMBER 30, 2023
(EXPRESSED IN UNITED STATES DOLLARS)

- f) To record \$21,896,401 to eliminate VidaCann's historical members equity.
- g) To record \$67,555,384 pertaining to the issuance of 78,461,538 shares of common stock of the Company at a fair value of \$0.86 per common share based on the closing share price of the Company on September 30, 2023.
- h) An adjustment to reflect the effective federal income tax rate of 21% applied to VidaCann gross profit for the year ended December 31, 2022, and the nine-month period ended September 30, 2023.

5. PRO FORMA SHARES OF COMMON STOCK

Common Stock in the unaudited pro forma condensed combined financial statements is comprised of the following:

	Number of shares	Additional Paid in Capital (S)
Planet 13's Shares of Common Stock outstanding - September 30, 2023	<u>222,247,854</u>	<u>314,628,834</u>
Shares of Common stock issued to VidaCann's Members	78,461,538	67,555,384
Pro forma consolidated Shares of Common Stock	<u>300,709,392</u>	<u>382,184,218</u>

6. INCOME TAXES

The pro forma effective statutory income tax rate applicable to the consolidated operations subsequent to the completion of the Transactions is approximately 21%.

Financial Statements

VIDACANN, LLC

December 31, 2021



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STEVEN D. RAWLINS, CPA
GARY M. HUGGETT, CPA
DAVID W. HOWIE, CPA

INDEPENDENT AUDITOR'S REPORT

To Management and the Members
Vidacann, LLC
Jacksonville, Florida

Opinion

We have audited the accompanying financial statements of Vidacann, LLC., which comprise the balance sheet as of December 31, 2021, and the related statement of income, changes in members equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vidacann, LLC. as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Vidacann, LLC. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Vidacann, LLC.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Vidacann, LLC.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Vidacann, LLC.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

/s/ Masters, Smith & Wisby P.A.
Certified Public Accountants
Jacksonville, Florida

May 31, 2022

VIDACANN, LLC.

BALANCE SHEET
December 31, 2021

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 2,191,119
Inventory	5,636,543
Capitalized cultivation costs	1,037,768
Prepaid expenses	135,395
Total Current Assets	<u>9,000,825</u>
Property and Equipment:	
Leasehold improvements	11,766,389
Machinery and equipment	3,969,387
Furniture and fixtures	503,731
Computer equipment and software	234,079
Construction in progress	626,407
	<u>17,099,993</u>
Accumulated depreciation	(2,358,101)
Total Property and Equipment	<u>14,741,892</u>
Other Assets:	
Intangible assets - net	271,115
Deposits and other	221,074
Total Other Assets	<u>492,189</u>
Total Assets	<u>\$ 24,234,906</u>

LIABILITIES AND MEMBERS' EQUITY

Current Liabilities:	
Accounts payable	\$ 810,668
Accrued expenses	296,188
Current portion of long-term debt	29,766
Total Current Liabilities	<u>1,136,622</u>
Long-Term Liabilities:	
Long-term debt	54,907
Due to investors	1,995,165
Total Long-Term Liabilities	<u>2,050,072</u>
Total Liabilities	3,186,694
Members' Equity	<u>21,048,212</u>
Total Liabilities and Members' Equity	<u>\$ 24,234,906</u>

See Accompanying Notes to the Financial Statements

VIDACANN, LLC

STATEMENT OF INCOME
Year Ended December 31, 2021

Net Sales	\$ 36,486,364
Cost of Goods Sold	<u>20,489,462</u>
Gross Profit	<u>15,996,902</u>
Selling, General and Administrative Expenses:	
Salaries, wages and related payroll expenses	13,064,183
Rent	3,751,462
Cultivation/branding fees	1,027,428
Packaging and supplies	5,903,184
Advertising	794,221
Automobile	178,992
Depreciation	939,945
Employee benefits	253,478
Contributions	34,500
Commissions	531,430
Insurance	714,510
Outside services	521,534
Professional fees	542,530
License and permits	70,087
Office expense	856,031
Taxes	104,260
Amortization	9,099
Product testing	736,501
Travel	80,775
Utilities	784,407
Repairs	<u>324,523</u>
Total Selling, General and Administrative Expenses	<u>31,223,080</u>
Applied overhead costs	<u>(18,971,850)</u>
Operating Income	<u>3,745,672</u>
Other Income (Expense):	
Interest expense	<u>(2,625)</u>
Net Income	<u>\$ 3,743,047</u>

See Accompanying Notes to the Financial Statements

VIDACANN, LLC

STATEMENT OF CHANGES IN MEMBERS' EQUITY

	<u>Loop's Dispensaries LLC - 74%</u>	<u>Loop's Nursery & Greenhouses Inc. - 1%</u>	<u>Ray of Hope 4 Florida LLC - 25%</u>	<u>Total</u>
Balances at January 1, 2021	\$ 15,216,066	\$ 1,957,764	\$ 4,110,773	\$ 21,284,603
Distributions	(2,944,784)	(39,794)	(994,860)	(3,979,438)
Net income	<u>2,769,855</u>	<u>37,430</u>	<u>935,762</u>	<u>3,743,047</u>
Balances at December 31, 2021	<u>\$ 15,041,137</u>	<u>\$ 1,955,400</u>	<u>\$ 4,051,675</u>	<u>\$ 21,048,212</u>

See Accompanying Notes to the Financial Statements

VIDACANN, LLC

STATEMENT OF CASH FLOWS
Year Ended December 31, 2021

Cash Flows from Operating Activities:	
Net Income	\$ 3,743,047
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	939,945
Amortization	515,715
(Increase) decrease in:	
Inventory	(2,626,642)
Cultivation costs	2,776,366
Prepaid expenses	(7,588)
Other assets	(95,689)
Increase (decrease) in:	
Accounts payable	(201,693)
Accrued expenses	141,883
	<u>5,185,344</u>
Net cash provided by operating activities	
Cash Flows From Investing Activities:	
Purchase of property and equipment	<u>(1,699,853)</u>
Net cash used by investing activities	<u>(1,699,853)</u>
Cash Flows from Financing Activities:	
Repayment of long-term debt	(53,826)
Due to related parties	774,110
Distributions to members	<u>(3,979,438)</u>
Net cash used by financing activities	<u>(3,259,154)</u>
Net Increase in Cash and Cash Equivalents	226,337
Cash and Cash Equivalents at Beginning of Year	<u>1,964,782</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,191,119</u>
Supplemental Disclosure of Cash Flow Information:	
Cash paid during the year for interest	<u>\$ 2,625</u>
Non-Cash Investing and Financing Information:	
Equipment acquired through note payable	<u>\$ 39,678</u>

See Accompanying Notes to the Financial Statements

VIDACANN, LLC

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

A. Summary of Significant Accounting Policies:

Nature of Business

Vidacann, LLC (the “Company”) d/b/a VidaCann is a limited liability corporation formed on June 13, 2019 and is the successor to Vidacann, Ltd. which was formed on September 5, 2017 and dissolved on June 13, 2019. The Company is licensed in the State of Florida as a Medical Marijuana Treatment Center under Florida Statue 381.986. The Company maintains cultivation facilities located in Jacksonville, FL and a manufacturing complex also located in Jacksonville. The Company operates 24 dispensaries located throughout the state of Florida.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit and all highly liquid instruments with original maturities of three months or less. No such instruments were held at December 31, 2021.

Fair Value of Financial Instruments

The carrying amounts of cash, accounts receivable, other current assets, accounts payable, accrued liabilities, and notes payable approximate fair value because of the short maturity of those instruments.

Inventory

Inventories are stated at the lower of cost or net realizable value based on their estimated value in the process from seed to finished product. Inventories of harvested plants are transferred from cultivation costs at an estimated cost based on the value of distilled oils. As the plants are processed into distilled oils, they are revalued to reflect the value added in the distillation process. A final revaluation is made as the oils are manufactured into the finished product. Unused packaging and hardware are initially valued at cost, less any reserves for obsolescence. All inventories are determined on the first in first out (“FIFO”) method of accounting.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided principally using the straight-line method based on the following estimated useful lives of the assets:

	<u>Years</u>
Leasehold improvements	40
Machinery and equipment	10
Vehicles	10
Furniture and fixtures	5-10
Computer equipment and software	3-10

Depreciation expense was \$939,945 for the year ended December 31, 2021.

Expenditures for maintenance and repairs are charged to operations, while renewals and betterments are capitalized. The cost and associated accumulated depreciation of assets retired or disposed of are removed from the records and any resulting gain or loss is included in income.

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

A. Summary of Significant Accounting Policies (continued):

Capitalized Cultivation Costs

The Company has adopted FASB ACC 905 “*Agricultural Producers and Agricultural Cooperatives*”, which prescribes that all direct and indirect costs of growing crops be capitalized and reported at the lower of cost or net realizable value.

Intangible Assets

The Company has adopted FASB ASC 350, “Intangibles-Goodwill and Other.” This statement requires that an intangible asset with a definite life be amortized over that life in a pattern that reflects the use or consumption of the asset’s economic benefits. Intangible assets consist primarily of a licensing agreement with a 4-year life. The accumulated amortization for this asset was \$1,883,140 at December 31, 2021. Amortization expense was \$506,757 in 2021 which is included as a component of cost of goods sold. For those assets that have no definite useful life, however, no amortization is to be recorded until the remaining useful life is no longer indefinite. Intangible assets that are thus not subject to amortization should be analyzed annually to determine if there has been an impairment of the asset’s value, i.e., whether future economic benefits associated with that asset are less than its current recorded value. If necessary, an impairment loss would then be recognized to reduce the asset’s carrying value to its current fair value.

Revenue Recognition

The Company has adopted Financial Accounting Standards Board (FASB) ASU 2014-09 *Revenue from Contracts with Customers*. This ASU establishes a uniform 5-step (performance obligations) process to ensure that revenues are recognized when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods and services. The standard also distinguishes the timing of revenues of those transferred at a point in time and those that are transferred over time. The Company adopted the standard using the modified retrospective approach as allowed under the standard which allows only contracts not completed as of the date of adoption, with no restatement of comparative periods. Management has determined that the adoption of ASU 2014-09 has not significantly altered the way revenue is recognized for the Company.

The company generates all its revenue from retail sales of its medical marijuana products in the State of Florida to licensed patients via its retail dispensaries. The performance obligations of these sales are satisfied at a point in time when the customer transfers the transaction price to the Company and the customer receives the product.

Advertising and Promotion

Advertising and promotion costs are charged to operations when incurred. For the year ended December 31, 2021, the total cost of advertising and promotion charged to operations was \$794,221.

Income Taxes

The Company reports to its members their proportionate share of its modified cash basis income or loss for each tax year, with the members including that income or loss in their respective income tax returns. The Company itself is not a taxpaying entity for federal or state income tax purposes and accordingly, no income taxes have been recorded in these financial statements. The Company takes certain tax positions which it believes are adhering to the laws established by the taxing authorities taking into consideration IRS Section 280E rules. The Company doesn’t believe it has taken any uncertain tax positions which could subject it to penalties or interest; therefore, none have been accrued in the accompanying financial statements.

VIDACANN, LLC

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

A. Summary of Significant Accounting Policies (continued):

Use of Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenue and expenses recognized during the period reported, actual results could differ from those estimates.

Subsequent Events

The Company has evaluated subsequent events through May 31, 2022, which is the date the financial statements were available to be issued.

B. Inventory:

Inventory at December 31, 2021 consisted of the following:

Finish product - lab	\$2,140,532
Finish product-dispensaries	1,973,109
Packaging and supplies	1,522,902
Total Inventory	\$ 5,636,543

C. Notes Payable:

Notes payable consist of the following:

	2021
Notes payable to vehicle finance company, payable in monthly payments of \$563 of principle and interest at rates ranging from 5.76% to 5.78%, secured by related vehicles, maturing March 2024 through August 2024	\$ 15,264
Notes payable to equipment finance company, payable in monthly payments of \$1,976 of principle and interest at 0%, secured by related equipment, maturities through July 2026	69,409
Less current obligation	(29,766)
Note payable, net of current portion	\$ 54,907

VIDACANN, LLC

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

C. Notes Payable (continued):

Maturities of principal payment and the notes payable are as follows:

2022	\$ 29,766
2023	30,125
2024	12,043
2025	7,935
2026	4,804
	<u>\$ 84,673</u>

D. Concentrations:

The Company is limited by Florida law to retail customers residing in the State of Florida who have a valid medical marijuana certificate.

E. Lease Commitments:

The Company leases dispensary, cultivating, manufacturing facilities and vehicles under operating leases expiring in various years through 2029. At December 31, 2021, minimum future lease payments under current noncancelable leases were as follows:

2022	\$ 3,952,434
2023	3,775,689
2024	3,420,533
2025	3,118,467
2026	2,968,279
Thereafter	<u>6,933,573</u>
Total	<u>\$ 24,168,975</u>

Rental expense from these leases was \$3,751,462 for the year ended December 31, 2021.

F. Related Party Transactions:

Due to Investors

The Company has amounts due to several investors totaling \$1,221,055. These amounts are non-interest bearing and have no stated repayment terms. As repayment is not expected within the year they have been classified as long-term on the balance sheet.

The Company has amounts due to two investors totaling \$774,110, interest at 10% is payable monthly, the principal is due November of 2031.

VIDACANN, LLC

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

F. Related Party Transactions (continued):

Purchases

The Company's vendor for certain packaging supplies is owned by an investor. Amounts due to this vendor at December 31, 2021 were \$26,671 and are included in accounts payable. The Company incurred expenses of \$1,922,162 with this vendor for the year ended December 31, 2021.

Cultivation facility/land lease

In May of 2020, the Company entered into a land lease agreement for its cultivation facility with a member which calls for rent of \$300,000 per year, per greenhouse not to exceed \$4,000,000 per year. This agreement expires on December 31, 2029 with renewal options for two successive periods of five years each. During 2021, the Company operated 7 greenhouses the minimum rent payments for seven greenhouses are included in the schedule of lease payments at Note E.

Manufacturing facility lease

The Company leases its manufacturing facility under a ten -year lease agreement with an investor expiring on April 30, 2028. The initial base rent of \$126,000 per year, plus additional amounts for insurance, taxes and common area maintenance and base rent increases of 3% per year. Rent expense related to this lease was \$132,376 for the year ended December 31, 2021. Future minimum lease payments are included in the schedule of lease payments at Note E.

G. Concentrations of Credit Risk:

Cash balances are exposed to credit risk since the company periodically maintains balances in excess of FDIC insurance limits. The Company maintains its cash balances at a high-quality financial institution and does not believe it is exposed to any significant risk with respect to these cash balances. At December 31, 2021 cash balances exceed FDIC insured limits by \$1,442,169.

Financial Statements

VIDACANN, LLC

December 31, 2022



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STEVEN D. RAWLINS, CPA
GARY M. HUGGETT, CPA
DAVID W. HOWIE, CPA

INDEPENDENT AUDITOR'S REPORT

To Management and the Members
Vidacann, LLC
Jacksonville, Florida

Opinion

We have audited the accompanying financial statements of Vidacann, LLC., which comprise the balance sheet as of December 31, 2022, and the related statement of income, changes in members equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vidacann, LLC. as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Vidacann, LLC. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Vidacann, LLC.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Vidacann, LLC.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Vidacann, LLC.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

/s/ Masters, Smith & Wisby P.A.
Certified Public Accountants
Jacksonville, Florida

May 19, 2023

VIDACANN, LLC.

BALANCE SHEET
December 31, 2022

ASSETS

Current Assets:

Cash and cash equivalents	\$ 1,522,165
Inventory	4,498,664
Capitalized cultivation costs	2,561,596
Prepaid expenses	129,088
Total Current Assets	<u>8,711,513</u>

Property and Equipment:

Leasehold improvements	13,281,029
Machinery, equipment and vehicles	6,201,647
Furniture and fixtures	523,468
Computer equipment and software	262,924
Construction in progress	881,923
	<u>21,150,991</u>
Accumulated depreciation	(2,980,278)
Total Property and Equipment	<u>18,170,713</u>

Other Assets:

Operating lease right-of-use assets	19,068,967
Intangible assets - net	81,081
Deposits and other assets	745,117
Total Other Assets	<u>19,895,165</u>

Total Assets	<u>\$ 46,777,391</u>
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LIABILITIES AND MEMBERS' EQUITY

Current Liabilities:

Accounts payable	\$ 435,984
Accrued expenses	297,406
Line of credit	2,971,706
Current portion of long-term debt	28,199
Current portion of operating lease liabilities	3,931,830
Total Current Liabilities	<u>7,665,125</u>

Long-Term Liabilities:

Long-term debt	23,872
Operating lease liabilities, less current portion	15,669,082
Due to investors	3,571,298
Total Long-Term Liabilities	<u>19,264,252</u>

Total Liabilities	26,929,377
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Members' Equity	<u>19,848,014</u>
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Total Liabilities and Members' Equity	<u>\$ 46,777,391</u>
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See Accompanying Notes to the Financial Statements

VIDACANN, LLC

STATEMENT OF INCOME
Year Ended December 31, 2022

Net Sales		\$	36,565,102
Cost of Goods Sold			<u>23,328,038</u>
Gross Profit			<u>13,237,064</u>
Selling, General and Administrative Expenses:			
Salaries, wages and related payroll expenses			15,000,340
Rent			3,990,596
Cultivation/branding fees			1,150,362
Packaging and supplies			5,680,711
Advertising			666,371
Automobile			278,614
Depreciation			1,014,637
Employee benefits			341,087
Contributions			27,685
Commissions			526,964
Insurance			778,091
Outside services			582,815
Professional fees			254,311
License and permits			239
Office expense			868,685
Taxes			123,501
Amortization			16,466
Retail expense			131,920
Product testing			743,465
Travel			116,369
Utilities			747,309
Repairs			<u>325,140</u>
Total Selling, General and Administrative Expenses			<u>33,365,678</u>
Applied overhead costs			<u>(21,525,688)</u>
Operating Income			<u>1,397,074</u>
Other Income (Expense):			
Gain on sale of property and equipment			16,800
Interest expense			<u>(344,777)</u>
Net Income		\$	<u><u>1,069,097</u></u>

See Accompanying Notes to the Financial Statements

VIDACANN, LLC

STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Loop's Dispensaries LLC - 74%	Loop's Nursery & Greenhouses Inc. - 1%	Ray of Hope 4 Florida LLC - 25%	Total
Balances at January 1, 2022	\$ 15,041,137	\$ 1,955,400	\$ 4,051,675	\$ 21,048,212
Contributions of property	-	9,288	-	9,288
Distributions	(1,686,151)	(22,786)	(569,646)	(2,278,583)
Net income	791,132	10,691	267,274	1,069,097
Balances at December 31, 2022	\$ 14,146,117	\$ 1,952,593	\$ 3,749,304	\$ 19,848,014

See Accompanying Notes to the Financial Statements

VIDACANN, LLC

STATEMENT OF CASH FLOWS
Year Ended December 31, 2022

Cash Flows from Operating Activities:	
Net Income	\$ 1,069,097
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	1,014,637
Amortization	206,488
(Increase) decrease in:	
Inventory	805,275
Cultivation costs	(1,523,829)
Prepaid expenses	6,307
Other assets	7,902
Increase (decrease) in:	
Accounts payable	(374,685)
Accrued expenses	1,218
	<hr/>
Net cash provided by operating activities	1,212,410
Cash Flows From Investing Activities:	
Purchase of property and equipment	<hr/> (3,962,257)
Net cash used by investing activities	<hr/> (3,962,257)
Cash Flows from Financing Activities:	
Proceeds from line of credit	2,971,706
Repayment of long-term debt	(32,602)
Repayment to investor	(250,000)
Distributions to members	<hr/> (608,211)
Net cash provided by financing activities	<hr/> 2,080,893
Net Decrease in Cash and Cash Equivalents	(668,954)
Cash and Cash Equivalents at Beginning of Year	<hr/> 2,191,119
Cash and Cash Equivalents at End of Year	<hr/> <u>\$ 1,522,165</u>
Supplemental Disclosure of Cash Flow Information:	
Cash paid during the year for interest	<hr/> <u>\$ 344,777</u>
Non-Cash Investing and Financing Information:	
Non-cash distributions	<hr/> <u>\$ 1,670,372</u>

See Accompanying Notes to the Financial Statements

VIDACANN, LLC

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2022

A. Summary of Significant Accounting Policies:

Nature of Business

Vidacann, LLC (the “Company”) d/b/a VidaCann is a limited liability corporation formed on June 13, 2019 and is the successor to Vidacann, Ltd. which was formed on September 5, 2017 and dissolved on June 13, 2019. The Company is licensed in the State of Florida as a Medical Marijuana Treatment Center under Florida Statute 381.986. The Company maintains cultivation facilities located in Jacksonville, FL and a manufacturing complex also located in Jacksonville. The Company operates 27 dispensaries located throughout the state of Florida.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit and all highly liquid instruments with original maturities of three months or less. No such instruments were held at December 31, 2022.

Fair Value of Financial Instruments

The carrying amounts of cash, accounts receivable, other current assets, accounts payable, accrued liabilities, and notes payable approximate fair value because of the short maturity of those instruments.

Inventory

Inventories are stated at the lower of cost or net realizable value based on their estimated value in the process from seed to finished product. Inventories of harvested plants are transferred from cultivation costs at an estimated cost based on the value of distilled oils. As the plants are processed into distilled oils, they are revalued to reflect the value added in the distillation process. A final revaluation is made as the oils are manufactured into the finished product. Unused packaging and hardware are initially valued at cost, less any reserves for obsolescence. All inventories are determined on the first in first out (“FIFO”) method of accounting.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided principally using the straight-line method based on the following estimated useful lives of the assets:

	<u>Years</u>
Leasehold improvements	40
Machinery and equipment	10
Vehicles	10
Furniture and fixtures	5-10
Computer equipment and software	3-10

Depreciation expense was \$1,014,637 for the year ended December 31, 2022.

Expenditures for maintenance and repairs are charged to operations, while renewals and betterments are capitalized. The cost and associated accumulated depreciation of assets retired or disposed of are removed from the records and any resulting gain or loss is included in income.

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2022

A. Summary of Significant Accounting Policies (continued):

Capitalized Cultivation Costs

The Company has adopted FASB ACC 905 “*Agricultural Producers and Agricultural Cooperatives*”, which prescribes that all direct and indirect costs of growing crops be capitalized and reported at the lower of cost or net realizable value.

Intangible Assets

The Company has adopted FASB ASC 350, “Intangibles-Goodwill and Other.” This statement requires that an intangible asset with a definite life be amortized over that life in a pattern that reflects the use or consumption of the asset’s economic benefits. Intangible assets consist primarily of a licensing agreement with a 4-year life with a cost of \$2,027,027. The accumulated amortization for this asset was \$2,027,027 at December 31, 2022. Amortization expense was \$190,034 in 2022 which is included as a component of cost of goods sold. For those assets that have no definite useful life, however, no amortization is to be recorded until the remaining useful life is no longer indefinite. Intangible assets that are thus not subject to amortization should be analyzed annually to determine if there has been an impairment of the asset’s value, i.e., whether future economic benefits associated with that asset are less than its current recorded value. If necessary, an impairment loss would then be recognized to reduce the asset’s carrying value to its current fair value.

Recent Accounting Pronouncements:

In February 2016, the FASB issued ASU No. 2016-02 Leases (Topic 842). This guidance amends existing lease standards requiring lessees to recognize a liability for what were previously defined as operating leases, an off-balance sheet item, on their balance sheets with a corresponding right to use asset. The Company adopted the requirements of the guidance effective January 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption. Comparative information has not been restated and continues to be reported under the accounting standards in effect for the prior period.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. The discount rate used is the U.S. Treasury par yield curve rate based on the information available at the commencement date for all leases. The right-to-use asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

The Company has elected, for all underlying classes of assets, to not recognize right-to-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. The Company recognizes lease cost associated with short-term leases on a straight-line basis over the lease term.

Revenue Recognition

The Company has adopted Financial Accounting Standards Board (FASB) ASU 2014-09 *Revenue from Contracts with Customers*. This ASU establishes a uniform 5-step (performance obligations) process to ensure that revenues are recognized when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods and services. The standard also distinguishes the timing of revenues of those transferred at a point in time and those that are transferred over time.

VIDACANN, LLC

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2022

A. Summary of Significant Accounting Policies (continued):

The Company adopted the standard using the modified retrospective approach as allowed under the standard which allows only contracts not completed as of the date of adoption, with no restatement of comparative periods. Management has determined that the adoption of ASU 2014-09 has not significantly altered the way revenue is recognized for the Company.

The company generates all its revenue from retail sales of its medical marijuana products in the State of Florida to licensed patients via its retail dispensaries. The performance obligations of these sales are satisfied at a point in time when the customer transfers the transaction price to the Company and the customer receives the product.

Advertising and Promotion

Advertising and promotion costs are charged to operations when incurred. For the year ended December 31, 2022, the total cost of advertising and promotion charged to operations was \$666,371.

Income Taxes

The Company reports to its members their proportionate share of its modified cash basis income or loss for each tax year, with the members including that income or loss in their respective income tax returns. The Company itself is not a taxpaying entity for federal or state income tax purposes and accordingly, no income taxes have been recorded in these financial statements. The Company takes certain tax positions which it believes are adhering to the laws established by the taxing authorities taking into consideration IRS Section 280E rules. The Company doesn't believe it has taken any uncertain tax positions which could subject it to penalties or interest; therefore, none have been accrued in the accompanying financial statements.

Use of Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenue and expenses recognized during the period reported, actual results could differ from those estimates.

Subsequent Events

The Company has evaluated subsequent events through May 19, 2023, which is the date the financial statements were available to be issued.

B. Inventory:

Inventory at December 31, 2022 consisted of the following:

Finish product - lab	\$1,574,631
Finish product-dispensaries	1,612,298
Packaging and supplies	1,311,735
	<hr/>
Total Inventory	\$ 4,498,664
	<hr/> <hr/>

VIDACANN, LLC

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2022

C. Notes Payable:

Notes payable consist of the following:

	2022
Notes payable to vehicle finance company, payable in monthly payments of \$563 of principle and interest at rates ranging from 5.76% to 5.78%, secured by related vehicles, maturing March 2024 through August 2024	\$ 5,956
Notes payable to equipment finance company, payable in monthly payments of \$1,976 of principle and interest at 0%, secured by related equipment, maturities through July 2026	46,115
	52,071
Less current obligation	(28,199)
Note payable, net of current portion	\$ 23,872

Maturities of principal payment and the notes payable are as follows:

2023	\$ 28,199
2024	10,717
2025	7,935
2025	5,220
	\$ 52,071

D. Concentrations:

The Company is limited by Florida law to retail customers residing in the State of Florida who have a valid medical marijuana certificate.

E. Lease Commitments:

The Company leases dispensary, cultivating, manufacturing facilities and vehicles under operating leases expiring in various years through 2029. The components of lease cost for the year ended December 31, 2022 are as follows:

Operating lease cost -buildings	\$ 3,990,596
Operating lease costs – vehicles	125,307
	\$ 4,115,903

Amounts reported in the consolidated balance sheet as of December 31, 2022 were as follows:

Operating lease ROU assets	\$ 19,068,967
Current portion of operating lease liability	3,931,830
Long-term portion of operating lease liability	\$ 15,669,082

VIDACANN, LLC

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2022

E. Lease Commitments (continued):

Other information related to leases as of December 31, 2022 was as follows:

Supplemental cash flow information:

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow from operating lease		\$ 4,115,903

ROU assets obtained in exchange for lease obligations		
Operating Leases		\$ 19,608,967

Weighted average remaining lease term:		
Operating leases		4.75 years

Weighted average discount rate:		
Operating leases		1.32%

Maturities of lease liabilities under noncancelable orating leases as of December 31, 2022 are as follows:

2023		\$ 4,266,378
2024		3,954,332
2025		3,641,345
2026		3,430,899
2027		3,386,415
Thereafter		1,569,352
Total undiscounted leases		20,248,721
Less inputted interest		(647,809)
Total		\$ 19,600,912

F. Line of Credit:

The Company has a bank line of credit available for a total of \$3,000,000 secured by a blanket lien on business assets. This line of credit requires monthly interest payments at the WSJ Prime Rate plus 1.5% (9.00% at December 31, 2022). The line of credit is payable on demand and expires February 20, 2025.

G. Related Party Transactions:

Due to Investors

The Company has amounts due to several investors totaling \$1,376,817, with interest of 7.5% payable monthly. These notes have no stated repayment terms. As repayment is not expected within the year they have been classified as long-term on the balance sheet.

VIDACANN, LLC

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2022

G. Related Party Transactions (continued):

The Company has amounts due to three investors totaling \$2,194,481, with interest ranging from 7.5% to 10% payable monthly. As repayment is not expected within the year they have been classified as long-term on the balance sheet.

Purchases

The Company's vendor for certain packaging supplies is owned by an investor. The Company incurred expenses of \$849,346 with this vendor for the year ended December 31, 2022.

Cultivation facility/land lease

In May of 2020, the Company entered into a land lease agreement for its cultivation facility with a member which calls for rent of \$300,000 per year, per greenhouse not to exceed \$4,000,000 per year. This agreement expires on December 31, 2029 with renewal options for two successive periods of five years each. During 2022, the Company operated 7 greenhouses the minimum rent payments for seven greenhouses are included in the schedule of lease payments at Note E.

Manufacturing facility lease

The Company leases its manufacturing facility under a ten -year lease agreement with an investor expiring on April 30, 2028. The initial base rent of \$126,000 per year, plus additional amounts for insurance, taxes and common area maintenance and base rent increases of 3% per year. Rent expense related to this lease was \$158,5170 for the year ended December 31, 2022. Future minimum lease payments are included in the schedule of lease payments at Note E.

H. Concentrations of Credit Risk:

Cash balances are exposed to credit risk since the company periodically maintains balances in excess of FDIC insurance limits. The Company maintains its cash balances at a high-quality financial institution and does not believe it is exposed to any significant risk with respect to these cash balances. At December 31, 2022 cash balances exceed FDIC insured limits by \$1,229,496.

I. Retirement Plan

The Company has adopted a qualified 401(k) deferred compensation plan. Employees meeting certain eligibility requirements can participate in the plan by making elective salary deferrals up IRS limits. The plan provides for discretionary employer contributions as determined by management. The Company did not make any elective contributions to the plan for the years ended December 31, 2022.

J. Subsequent Events

Under the provisions of the Coronavirus Aid, Relief, and Economic Security act (the "CARES Act") the Company became eligible for a refund of certain payroll taxes paid. The Company has made a claim for \$3,392,624 of which \$1,696,312 was refunded to the company in the second quarter of 2023.

Financial Statements

VIDACANN, LLC



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STEVEN D. RAWLINS, CPA
GARY M. HUGGETT, CPA
DAVID W. HOWIE, CPA

INDEPENDENT AUDITOR'S REPORT

To Management and the Members
Vidacann, LLC
Jacksonville, Florida

Results of Review of Interim Financial Information

We have reviewed the accompanying financial statements of Vidacann, LLC., which comprise the balance sheet as of September 30, 2023, and the related statements of operations and members equity and cash flows for the three and nine months ended September 30, 2023 and 2022, and the related notes to the financial statements (collectively referred to as the *interim financial information*).

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in accordance with accounting principles generally accepted in the United States of America.

Basis for Review Results

We conducted our review in accordance with auditing standards generally accepted in the United States of America (GAAS) applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of interim financial information is substantially less in scope than an audit conducted in accordance with GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of Vidacann, LLC. and to meet our ethical responsibilities in accordance with relevant ethical requirements related to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

Responsibilities of Management for the Interim Financial Information

Management is responsible for the preparation and fair presentation of the interim financial information in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Report on Balance Sheet as of December 31, 2022

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet as of December 31, 2022, and the related statements of operations, changes in members equity, and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 19, 2023. In our opinion, the accompanying balance sheet of Vidacann, LLC as of December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it was derived.

Emphasis of Matter

As discussed in Note L. to the financial statements, the September 30, 2023 financial statements have been restated to correct a misstatement. Our review report is not modified with respect to this matter.

February 20, 2024

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VIDACANN, LLC.

BALANCE SHEET

ASSETS

	<u>(Reviewed)</u>	<u>(Audited)</u>
	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Current Assets:		
Cash and cash equivalents	\$ 2,220,063	\$ 1,522,165
Inventory	3,677,240	4,498,664
Capitalized cultivation costs	3,597,704	2,561,596
Prepaid expenses	124,056	129,088
Total Current Assets	<u>9,619,063</u>	<u>8,711,513</u>
Property and Equipment:		
Leasehold improvements	14,703,241	13,281,029
Machinery, equipment and vehicles	6,634,489	6,201,647
Furniture and fixtures	523,072	523,468
Computer equipment and software	265,664	262,924
Construction in progress	35,305	881,923
	<u>22,161,771</u>	<u>21,150,991</u>
Accumulated depreciation	<u>(3,839,184)</u>	<u>(2,980,278)</u>
Total Property and Equipment	<u>18,322,587</u>	<u>18,170,713</u>
Other Assets:		
Operating lease right-of-use assets	21,860,783	19,068,967
Intangible assets - net	81,081	81,081
Deposits and other assets	381,600	745,117
Total Other Assets	<u>22,323,464</u>	<u>19,895,165</u>
Total Assets	<u>\$ 50,265,114</u>	<u>\$ 46,777,391</u>

LIABILITIES AND MEMBERS' EQUITY

Current Liabilities:		
Accounts payable	\$ 283,197	\$ 435,984
Accrued expenses	667,989	297,406
Line of credit	2,977,733	2,971,706
Current portion of long-term debt	80,002	28,199
Current portion of operating lease liabilities	4,086,119	3,931,830
Total Current Liabilities	<u>8,095,040</u>	<u>7,665,125</u>
Long-Term Liabilities:		
Long-term debt	128,850	23,872
Operating lease liabilities, less current portion	17,950,342	15,669,082
Due to investors	2,194,481	3,571,298
Total Long-Term Liabilities	<u>20,273,673</u>	<u>19,264,252</u>
Total Liabilities	28,368,713	26,929,377
Members' Equity	<u>21,896,401</u>	<u>19,848,014</u>
Total Liabilities and Members' Equity	<u>\$ 50,265,114</u>	<u>\$ 46,777,391</u>

See Accompanying Notes to the Financial Statements

VIDACANN, LLC

STATEMENTS OF OPERATIONS

	<u>(Reviewed)</u> <u>Three months ended</u> <u>September 30, 2023</u>	<u>(Reviewed)</u> <u>Three months ended</u> <u>September 30, 2022</u>
Net Sales	\$ 8,775,128	\$ 8,684,714
Cost of Goods Sold	<u>5,648,315</u>	<u>5,928,930</u>
Gross Profit	<u>3,126,813</u>	<u>2,755,784</u>
Selling, General and Administrative Expenses:		
Salaries, wages and related payroll expenses	3,817,564	3,202,204
Rent	982,905	1,004,757
Cultivation/branding fees	139,691	292,791
Packaging and supplies	939,472	1,576,107
Advertising	69,425	194,764
Automobile	65,126	75,381
Depreciation	300,214	279,689
Employee benefits	128,767	89,331
Commissions	73,634	127,549
Insurance	155,764	216,022
Outside services	57,772	152,731
Professional fees	133,981	74,706
License and permits	67,517	6,716
Office expense	209,831	215,085
Taxes	11,852	5,188
Amortization	2,222	2,241
Retail expense	28,179	2,907
Product testing	187,656	129,102
Travel	22,395	42,655
Utilities	239,356	252,231
Repairs	<u>136,258</u>	<u>65,409</u>
Total Selling, General and Administrative Expenses	<u>7,769,581</u>	<u>8,007,566</u>
Applied overhead costs	<u>(4,699,886)</u>	<u>(5,257,300)</u>
Operating Income	<u>57,118</u>	<u>5,518</u>
Other Income (Expense):		
Employee retention credit refund, net	1,337,684	-
Gain (loss) on disposal of property and equipment	(12,870)	74,628
Interest expense, net	15,130	(102,186)
Other income, net	<u>10,347</u>	<u>200</u>
Net Income (Loss)	<u>\$ 1,407,409</u>	<u>\$ (21,840)</u>

See Accompanying Notes to the Financial Statements

VIDACANN, LLC

STATEMENTS OF OPERATIONS

	<u>(Reviewed)</u> <u>Nine months ended</u> <u>September 30, 2023</u>	<u>(Reviewed)</u> <u>Nine months ended</u> <u>September 30, 2022</u>
Net Sales	\$ 24,794,348	\$ 27,419,130
Cost of Goods Sold	<u>15,543,121</u>	<u>16,706,568</u>
Gross Profit	<u>9,251,227</u>	<u>10,712,562</u>
Selling, General and Administrative Expenses:		
Salaries, wages and related payroll expenses	11,026,149	11,203,755
Rent	3,169,383	3,001,347
Cultivation/branding fees	580,935	864,897
Packaging and supplies	3,318,922	4,751,994
Advertising	344,057	541,081
Automobile	177,257	216,318
Depreciation	874,984	756,588
Employee benefits	381,432	247,940
Contributions	3,025	9,050
Commissions	253,091	411,217
Insurance	481,087	611,474
Outside services	180,642	502,612
Professional fees	360,106	198,406
License and permits	68,413	43,781
Office expense	614,071	629,790
Taxes	123,884	104,640
Amortization	14,965	6,724
Retail expense	57,663	1,982
Product testing	602,991	638,671
Travel	112,576	84,685
Utilities	767,413	510,092
Repairs	<u>477,513</u>	<u>227,341</u>
Total Selling, General and Administrative Expenses	<u>23,990,559</u>	<u>25,564,385</u>
Applied overhead costs	<u>(14,273,097)</u>	<u>(15,047,773)</u>
Operating Income (Loss)	<u>(466,235)</u>	<u>195,950</u>
Other Income (Expense):		
Employee retention credit refund, net	2,798,264	-
Gain (loss) on disposal of property and equipment	(72,508)	16,800
Interest expense	(261,134)	(102,186)
Other income, net	<u>50,000</u>	<u>-</u>
Net Income	<u>\$ 2,048,387</u>	<u>\$ 110,564</u>

See Accompanying Notes to the Financial Statements

VIDACANN, LLC

STATEMENT OF CHANGES IN MEMBERS' EQUITY

	<u>Loop's Dispensaries LLC - 74%</u>	<u>Loop's Nursery & Greenhouses Inc. - 1%</u>	<u>Ray of Hope 4 Florida LLC - 25%</u>	<u>(Reviewed) Total</u>
Balance at January 1, 2022	\$ 15,041,137	\$ 1,955,400	\$ 4,051,675	\$ 21,048,212
Net income	<u>81,817</u>	<u>1,106</u>	<u>27,641</u>	<u>110,564</u>
Balance at September 30, 2022	<u>\$ 15,122,954</u>	<u>\$ 1,956,506</u>	<u>\$ 4,079,316</u>	<u>\$ 21,158,776</u>
Balance at January 1, 2023	\$ 14,146,117	\$ 1,952,593	\$ 3,749,304	\$ 19,848,014
Net income	<u>1,515,806</u>	<u>20,484</u>	<u>512,097</u>	<u>2,048,387</u>
Balance at September 30, 2023	<u>\$ 15,661,923</u>	<u>\$ 1,973,077</u>	<u>\$ 4,261,401</u>	<u>\$ 21,896,401</u>

See Accompanying Notes to the Financial Statements

VIDACANN, LLC

STATEMENT OF CASH FLOWS

	<u>(Reviewed)</u> <u>Nine months ended</u> <u>September 30, 2023</u>	<u>(Reviewed)</u> <u>Nine months ended</u> <u>September 30, 2022</u>
Cash Flows from Operating Activities:		
Net Income	\$ 2,048,387	\$ 110,564
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	874,984	756,588
Amortization	14,965	6,724
(Gain) loss on disposal of property and equipment	72,508	(16,800)
(Increase) decrease in:		
Inventory	821,424	153,217
Cultivation costs	(1,036,109)	(406,098)
Prepaid expenses	5,032	15,199
Other assets	363,517	9,902
Right of use asset	(2,791,816)	-
Increase (decrease) in:		
Accounts payable	(152,787)	(257,894)
Accrued expenses	370,583	178,600
Operating lease liability	2,435,549	-
	<u>3,026,237</u>	<u>550,002</u>
Net cash provided by operating activities		
Cash Flows From Investing Activities:		
Purchase of property and equipment	(905,546)	(680,276)
Net cash used by investing activities	<u>(905,546)</u>	<u>(680,276)</u>
Cash Flows from Financing Activities:		
Repayment of long-term debt	(45,976)	(25,702)
Repayment of investor loans	(1,376,817)	-
Net cash used by financing activities	<u>(1,422,793)</u>	<u>(25,702)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	697,898	(155,976)
Cash and Cash Equivalents at Beginning of Period	<u>1,522,165</u>	<u>2,191,119</u>
Cash and Cash Equivalents at End of Period	<u>\$ 2,220,063</u>	<u>\$ 2,035,143</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for interest	<u>\$ 261,134</u>	<u>\$ 102,186</u>
Non-Cash Investing and Financing Information:		
Equipment acquired through note payable	<u>\$ 202,757</u>	<u>\$ -</u>

See Accompanying Notes to the Financial Statements

VIDACANN, LLC

NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and December 31, 2022
and for the Three and Nine Months Ended September 30, 2023 and 2022

A. Summary of Significant Accounting Policies:

Nature of Business

Vidacann, LLC (the “Company”) d/b/a VidaCann is a limited liability corporation formed on June 13, 2019 and is the successor to Vidacann, Ltd. which was formed on September 5, 2017 and dissolved on June 13, 2019. The Company is licensed in the State of Florida as a Medical Marijuana Treatment Center under Florida Statue 381.986. The Company maintains cultivation facilities located in Jacksonville, FL and a manufacturing complex also located in Jacksonville. The Company operates 27 dispensaries located throughout the state of Florida.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit and all highly liquid instruments with original maturities of three months or less. No such instruments were held at September 30, 2023 or December 31, 2022.

Fair Value of Financial Instruments

The carrying amounts of cash, accounts receivable, other current assets, accounts payable, accrued liabilities, and notes payable approximate fair value because of the short maturity of those instruments.

Inventory

Inventories are stated at the lower of cost or net realizable value based on their estimated value in the process from seed to finished product. Inventories of harvested plants are transferred from cultivation costs at an estimated cost based on the value of distilled oils. As the plants are processed into distilled oils, they are revalued to reflect the value added in the distillation process. A final revaluation is made as the oils are manufactured into the finished product. Unused packaging and hardware are initially valued at cost, less any reserves for obsolescence. All inventories are determined on the first in first out (“FIFO”) method of accounting.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided principally using the straight-line method based on the following estimated useful lives of the assets:

	<u>Years</u>
Leasehold improvements	40
Machinery and equipment	10
Vehicles	10
Furniture and fixtures	5-10
Computer equipment and software	3-10

Depreciation expense was \$ 300,214 and \$279,689 for the three months ended September 30, 2023 and 2022, respectively and \$874,984 and \$756,588 for the nine months ended September 30, 2023 and 2022, respectively.

Expenditures for maintenance and repairs are charged to operations, while renewals and betterments are capitalized. The cost and associated accumulated depreciation of assets retired or disposed of are removed from the records and any resulting gain or loss is included in income.

VIDACANN, LLC

NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and December 31, 2022
and for the Three and Nine Months Ended September 30, 2023 and 2022

A. Summary of Significant Accounting Policies (continued):

Capitalized Cultivation Costs

The Company has adopted FASB ACC 905 “*Agricultural Producers and Agricultural Cooperatives*”, which prescribes that all direct and indirect costs of growing crops be capitalized and reported at the lower of cost or net realizable value.

Intangible Assets

The Company has adopted FASB ASC 350, “Intangibles-Goodwill and Other.” This statement requires that an intangible asset with a definite life be amortized over that life in a pattern that reflects the use or consumption of the asset’s economic benefits. Intangible assets consist primarily of a licensing agreement with a 4-year life with a cost of \$2,027,027. The accumulated amortization for this asset was \$2,027,027 at December 31, 2022. Amortization expense was \$190,034 in 2022 which is included as a component of cost of goods sold. For those assets that have no definite useful life, however, no amortization is to be recorded until the remaining useful life is no longer indefinite. Intangible assets that are thus not subject to amortization should be analyzed annually to determine if there has been an impairment of the asset’s value, i.e., whether future economic benefits associated with that asset are less than its current recorded value. If necessary, an impairment loss would then be recognized to reduce the asset’s carrying value to its current fair value.

Recent Accounting Pronouncements:

In February 2016, the FASB issued ASU No. 2016-02 Leases (Topic 842). This guidance amends existing lease standards requiring lessees to recognize a liability for what were previously defined as operating leases, an off-balance sheet item, on their balance sheets with a corresponding right to use asset. The Company adopted the requirements of the guidance effective January 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption. Comparative information has not been restated and continues to be reported under the accounting standards in effect for the prior period.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. The discount rate used is the U.S. Treasury par yield curve rate based on the information available at the commencement date for all leases. The right-to-use asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

The Company has elected, for all underlying classes of assets, to not recognize right-to-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. The Company recognizes lease cost associated with short-term leases on a straight-line basis over the lease term.

Revenue Recognition

The Company has adopted Financial Accounting Standards Board (FASB) ASU 2014-09 *Revenue from Contracts with Customers*. This ASU establishes a uniform 5-step (performance obligations) process to ensure that revenues are recognized when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods and services. The standard also distinguishes the timing of revenues of those transferred at a point in time and those that are transferred over time.

VIDACANN, LLC

NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and December 31, 2022
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A. Summary of Significant Accounting Policies (continued):

The Company adopted the standard using the modified retrospective approach as allowed under the standard which allows only contracts not completed as of the date of adoption, with no restatement of comparative periods. Management has determined that the adoption of ASU 2014-09 has not significantly altered the way revenue is recognized for the Company. The company generates all its revenue from retail sales of its medical marijuana products in the State of Florida to licensed patients via its retail dispensaries. The performance obligations of these sales are satisfied at a point in time when the customer transfers the transaction price to the Company and the customer receives the product.

Advertising and Promotion

Advertising and promotion costs are charged to operations when incurred. Advertising and promotion expense were \$69,425 and \$194,764 for the three months ended September 30, 2023 and 2022, respectively and \$344,057 and \$541,081 for the nine months ended September 30, 2023 and 2022, respectively.

Income Taxes

The Company reports to its members their proportionate share of its modified cash basis income or loss for each tax year, with the members including that income or loss in their respective income tax returns. The Company itself is not a taxpaying entity for federal or state income tax purposes and accordingly, no income taxes have been recorded in these financial statements. The Company takes certain tax positions which it believes are adhering to the laws established by the taxing authorities taking into consideration IRS Section 280E rules. The Company doesn't believe it has taken any uncertain tax positions which could subject it to penalties or interest; therefore, none have been accrued in the accompanying financial statements.

Use of Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenue and expenses recognized during the period reported, actual results could differ from those estimates.

Subsequent Events

The Company has evaluated subsequent events through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

B. Inventory:

Inventory at September 30, 2023 and December 31, 2022 consisted of the following:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Finish product - lab	\$ 1,373,372	\$ 1,574,631
Finish product-dispensaries	1,500,510	1,612,298
Packaging and supplies	<u>803,358</u>	<u>1,311,735</u>
Total Inventory	<u>\$ 3,677,240</u>	<u>\$ 4,498,664</u>

VIDACANN, LLC

NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and December 31, 2022
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C. Notes Payable:

Notes payable consist of the following:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Notes payable to vehicle finance company, payable in monthly payments of \$563 of principle and interest at rates ranging from 5.76% to 5.78%, secured by related vehicles, maturing March 2024 through August 2024	\$ 2,630	\$ 5,956
Notes payable to equipment finance company, payable in monthly payments of \$1,976 of principle and interest at 0%, secured by related equipment, maturities through July 2026	28,644	46,115
Note payable to equipment finance company, payable in monthly payments of \$6,400 of principle and interest at 8.49%, secured by related equipment, matures May 2026	177,578	-
	208,852	52,071
Less current obligation	(80,002)	(28,199)
Note payable, net of current portion	\$ 128,850	\$ 23,872

Maturities of principal payment and the notes payable are as of September 30, 2023:

2024	\$ 80,002
2025	77,779
2026	51,071
	\$ 208,852

D. Concentrations:

The Company is limited by Florida law to retail customers residing in the State of Florida who have a valid medical marijuana certificate.

E. Lease Commitments:

The Company leases dispensary, cultivating, manufacturing facilities and vehicles under operating leases expiring in various years through 2029. The lease cost for the three months ended September 30, 2023 and 2022 was \$982,905 and \$1,004,757, respectively. The lease cost for the nine months ended September 30, 2023 and 2022 was \$3,169,383 and 3,001,347, respectively.

VIDACANN, LLC

NOTES TO FINANCIAL STATEMENTS
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E. Lease Commitments (continued):

Amounts reported in the consolidated balance sheet as of September 30, 2023 were as follows:

Operating lease ROU assets	\$ 21,860,783
Current portion of operating lease liability	4,086,119
Long-term portion of operating lease liability	\$ 17,950,342

Other information related to leases as of September 30, 2023 was as follows:

Supplemental cash flow information:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flow from operating lease	\$ 3,169,383

ROU assets obtained in exchange for lease obligations	
Operating Leases	\$ 1,387,201

Weighted average remaining lease term:	
Operating leases	5.29 years

Weighted average discount rate:	
Operating leases	1.31%

Maturities of lease liabilities under noncancelable operating leases as of September 30, 2023 are as follows:

2024	\$ 4,258,649
2025	4,043,727
2026	3,823,121
2027	3,748,013
2028	3,384,718
Thereafter	3,282,173
Total undiscounted leases	22,540,401
Less imputed interest	(503,946)
Total	\$ 22,036,461

F. Line of Credit:

The Company has a bank line of credit available for a total of \$3,000,000 secured by a blanket lien on business assets. This line of credit requires monthly interest payments at the WSJ Prime Rate plus 1.5% (10.00% at September 30, 2023). The line of credit is payable on demand and expires February 20, 2025.

VIDACANN, LLC

NOTES TO FINANCIAL STATEMENTS
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G. Related Party Transactions:

Due to Investors

The Company has amounts due to several investors totaling \$-0- and \$1,376,817 at September 30, 2023 and December 31, 2022, respectively, with interest of 7.5% payable monthly, repaid during the third quarter of 2023.

The Company has amounts due to three investors totaling \$2,194,481, at September 30, 2023 and December 31, 2022 with interest ranging from 7.5% to 10% payable monthly. As repayment is not expected within the year they have been classified as long-term on the balance sheet.

Purchases

The Company's vendor for certain packaging supplies is owned by an investor. The Company incurred expenses of \$108,432 and \$196,321 for the three months ended September 30, 2023 and 2022, respectively and \$219,716 and \$524,822 for the nine months ended September 30, 2023 and 2022, respectively.

Cultivation facility/land lease

In May of 2020, the Company entered into a land lease agreement for its cultivation facility with a member which calls for rent of \$300,000 per year, per greenhouse not to exceed \$4,000,000 per year. This agreement expires on December 31, 2029 with renewal options for two successive periods of five years each. The Company operates nine greenhouses, the minimum rent payments for the greenhouses are included in the schedule of lease payments at Note E.

Manufacturing facility lease

The Company leases its manufacturing facility under a ten -year lease agreement with an investor expiring on April 30, 2028. The initial base rent of \$126,000 per year, plus additional amounts for insurance, taxes and common area maintenance and base rent increases of 3% per year. Rent expense related to this lease was \$36,517 and \$35,454 for the three months ended September 30, 2023 and 2022, respectively and \$107,07 and \$104,640 for the nine months end September 30, 2023 and 2022, respectively. Future minimum lease payments are included in the schedule of lease payments at Note E.

H. Concentrations of Credit Risk:

Cash balances are exposed to credit risk since the company periodically maintains balances in excess of FDIC insurance limits. The Company maintains its cash balances at a high-quality financial institution and does not believe it is exposed to any significant risk with respect to these cash balances. At September 30, 2023 cash balances exceed FDIC insured limits by \$1,368,546.

NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and December 31, 2022
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I. Retirement Plan

The Company has adopted a qualified 401(k) deferred compensation plan. Employees meeting certain eligibility requirements can participate in the plan by making elective salary deferrals up IRS limits. The plan provides for discretionary employer contributions as determined by management. The Company did not make any elective contributions to the plan for the years ended December 31, 2022.

J. Employee Retention Credit

Under the provisions of the Coronavirus Aid, Relief, and Economic Security act (the "CARES Act") the Company became eligible for a refund of certain payroll taxes paid in previous periods. The Company was refunded \$1,696,312 in the second quarter of 2023 and \$1,552,710 in the third quarter of 2023. The Company paid total related fees of \$450,758.

K. Membership Interest Purchase Agreement

On August 28, 2023, the Company and its members (the "Sellers") entered into a Membership Interest Purchase Agreement ("Purchase Agreement") with Planet 13 Holdings, Inc. (Planet 13) pursuant to which, upon the terms and subject to the conditions, Planet 13 will acquire from the Sellers all of the membership interests in VidaCann.

Pursuant to the Purchase Agreement, the Planet 13 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 Planet 13 (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 Purchase Agreement contains customary termination provisions, including the ability to terminate in the event the transaction has not been completed by April 30, 2024.

NOTES TO FINANCIAL STATEMENTS
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L. Restatement of Financial Statements

In the second quarter of 2023, management, based on an assessment of current market conditions, revised its estimate of gross profit percentage. This revised estimate was not properly reported in the previously issued financial statements. These re-issued financial statements have been adjusted to reflect for following changes as previously report at September 30, 2023; inventories increased by \$1,030,399; capitalized cultivation costs decreased by 2,734,445; cost of goods sold increased by \$1,704,046 and net income decreased by \$1,704,046.