FORM 51-102F1

GROWN ROGUE INTERNATIONAL INC.
(the "Company" or **"Grown Rogue")**

MANAGEMENT DISCUSSION & ANALYSIS
FOR THE THREE MONTHS ENDED JANUARY 31, 2019
(the "Reporting Period")

This Management Discussion and Analysis ("**MD&A**") made as of April 1, 2019, should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the three months ended January 31, 2019 and the related notes thereto (the "**Financial Statements**"). The Company's unaudited financial statements are presented on a consolidated basis with its wholly-owned subsidiaries: Grown Rogue Canada Corp. ("**GRC**"), Grown Rogue Unlimited, LLC ("**GR Unlimited**") and GR Unlimited's wholly-owned subsidiaries Grown Rogue Gardens, LLC ("**GR Gardens**"); Grown Rogue Distribution, LLC ("**GR Distribution**"); GRU Properties, LLC ("**GRU Properties**"); GRIP, LLC ("**GRIP**"); as well as the GR Unlimited's 60% ownership in GRD CAli, LLC and Idalia, LLC. The Company's reporting currency is the United States dollar and all amounts in this MD&A are expressed in United dollars unless otherwise noted.

The Company's comparative information included in this MD&A has been prepared in accordance with IFRS.

Additional information relating to the Company is also available on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. The common shares of GRIN are listed on the Canadian Securities Exchange under the symbol "**GRIN**".

Management's Responsibilities for Financial Reporting

The Financial Statements have been prepared by management in accordance with IFRS and have been approved by the Company's board of directors (the "**Board**"). The integrity and objectivity of these Financial Statements are the responsibility of management. In addition, management is responsible for ensuring that the information contained in the MD&A is consistent where appropriate, with the information contained in the Financial Statements.

The Financial Statements may contain certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis to ensure that the Financial Statements are presented fairly in all material respects.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board carries out this responsibility principally through its audit committee. The members of the audit committee are appointed by the Board and have sufficient financial expertise to assume this role with the Company. The majority of the audit committee members are independent and not involved in the Company's daily operations.

Forward-Looking Statements

This MD&A contains information and projections based on current expectations. Certain statements herein may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this Listing Statement, such statements use such words as "will", "may", "could", "intends", "potential", "plans", "believes", "expects", "projects", "estimates", "anticipates", "continue", "potential", "predicts" or "should" and other similar terminology. These statements reflect expectations regarding future events and performance but speak only as of the date of this MD&A. Forward-looking statements include, among others, statements with respect to planned acquisitions, strategic partnerships or other transactions and expansions not yet concluded; plans to market, sell and distribute products; market competition; plans to retain and recruit personnel; the ability to secure funding; and the ability to obtain regulatory and other approvals are all forward-looking information. These statements should not be read as guarantees of future performance or results. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from those implied by such statements.

There can be no assurance that any intended or proposed activity or transaction will occur or that, if any such action or transaction is undertaken, it will be completed on terms currently intended by the Company. The Company assumes no responsibility to update or revise forward-looking information to reflect new events or circumstances unless required by law.

Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. The forward-looking statements herein speak only as of the date hereof. Actual results could differ materially from those anticipated due to a number of factors and risks including those described in this MD&A and under "Risk Factors" in section 17 of the Company's Listing Statement dated November 15, 2018 which can be found under the Company's profile on www.sedar.com.

Description of Business

Grown Rogue is a vertically-integrated, multi-state cannabis company curating innovative products to provide consumers with the right cannabis experience. Each of the Grown Rogue's products and strains are categorized and marketed based on unique effects and designed for the full range of a consumers' active lifestyle from Relaxation to Energizing. Grown Rogue's "seed to experience" positioning conveys the vision of ensuring "the right experience, every time". Grown Rogue's diverse cannabis product suite includes premium flower, patent-pending nitrogen sealed pre-rolls, oil and concentrates, dark chocolates, and a suite of edibles in development.

Grown Rogue, through its wholly owned subsidiary, GR Gardens, operates three cultivation facilities that currently service the Oregon recreational marijuana market: Manzanita Glen, Trail's End, and the Medford Warehouse Project (the "**Warehouse**"). Grown Rogue through its 60% ownership in GRDCali, LLC has a 16,000 sq ft facility located in Eureka, California ("Eureka Facility") that once fully licensed will have distribution, manufacturing (both volatile and non-volatile), and retail capabilities to serve the California marketplace. Grown Rogue has signed a memorandum of understanding with Blue Zebra Community, LLC to enter the Michigan cannabis market through partnership that will initially include two provisioning centers (retail dispensaries) and a 19,000 sq ft cultivation and processing center. Grown Rogue intends to expand its facilities, add retail locations, and continue its multi-state expansion as a fully integrated cannabis company.

Grown Rogue, through its subsidiaries, GR Gardens and GR Distribution, currently holds four licenses (three producer licenses and one wholesale license) to do business in the Oregon recreational marijuana market. Generally, there are four types of marijuana businesses regulated by the Oregon Liquor Control Commission ("**OLCC**"). "Marijuana producers" cultivate marijuana for wholesale. "Marijuana processors" produce marijuana extracts and products. "Marijuana wholesalers" may purchase marijuana and marijuana products to sell to marijuana retailers and other non-consumers. Lastly, "marijuana retailers" are allowed to sell marijuana

- Marijuana Producers can apply for two different license types under the OLLC regulatory structure. A Tier I license allows for up to a maximum of 5,000 square feet of indoor and 20,000 square feet of outdoor flowering canopy. A Tier II license allows for a maximum of 10,000 square feet of indoor and 40,000 square feet of outdoor flowering canopy. The differential between outdoor and indoor is if you use artificial lights during the flowering cycle it is considered indoor under the rules. Marijuana producers can sell their products directly to marijuana processors, Marijuana wholesalers or Marijuana retailers.
- Marijuana Processors all operate under a single license. This license type includes both volatile and non-volatile extraction, mechanical (i.e. bubble hash or rosin press), and edible products. For each product contemplated by a processor, they must file for specific certificates in order to be legally allowed to produce the products. Marijuana processors can sell their products directly to marijuana wholesalers and marijuana retailers. Marijuana processors can also sell to other marijuana processor for additional processing but not for direct resale. Marijuana processors cannot sell their products to Marijuana Producers.
- Marijuana Wholesalers are responsible for supply chain logistics and are generally responsible for taking the product from the manufacturer and getting it to a marijuana processor for extraction or marijuana retailer for direct sale to the customer. Marijuana wholesalers can sell products to other marijuana wholesalers, marijuana processors, or marijuana retailers. Marijuana wholesalers cannot sell their products to marijuana producers but are allowed to return marijuana to marijuana producers from which the marijuana wholesaler originally purchased the product from.
- Marijuana retailers provide the storefront for retailer customers. Marijuana retailers are only allowed to sell to a customer who is over 21 with valid identification. Marijuana retailers cannot sell products to any other license type. Limited delivery options are available for marijuana retailers as long as they have license approval and stay within the jurisdiction of their license when doing the delivery and related items to individuals 21 years and older.

GR Gardens currently holds three producer licenses for the three properties described above (and has submitted an additional application for a producer license to the OLCC that is pending), and GR

Distribution holds one wholesaler license. GR Distribution and GR Gardens jointly hold the producer license and the wholesale license at the Warehouse as the licenses are co-located in the same facility. GR Distribution and GR Gardens have also applied for a processor license for the Warehouse. Grown Rogue, through one or more of its subsidiaries, intends to acquire one or more Oregon retail licenses in the future.

Grown Rogue is currently in the process of licensing and constructing the Eureka Facility in California to house distribution, both volatile and non-volatile manufacturing, and retail licensing. Grown Rogue is constructing the facility in phases with the distribution component of the business expected to be completed in Q2 2019, the non-volatile manufacturing completed in Q3 2019, and the volatile manufacturing completed by end of 2019. Retail is pending and is subject to local approval through a lottery system that Grown Rogue believes they hold high likelihood of success in obtaining.

Through its partnership in Michigan, Grown Rogue, subject to state and local regulatory approvals, will obtain a majority interest in two (2) strategically located dispensaries, a 19,000 sq ft indoor cultivation and processing center in Detroit, Michigan, and an interest in a 28-acre parcel located in the northern portion of the southern peninsula which has received approval for two cultivation licenses. Michigan recently passed adult use cannabis in November 2018 with anticipated licensing for adult use beginning in early 2020. Michigan has the second largest medical cannabis population in the United States. According to Detroitstats.com, in 2014, over 1 million people were recorded to have used marijuana (15.6% of the population) in Michigan. Grown Rogue is in advanced discussions to acquire over a dozen additional assets/licenses in Michigan over the course of 2019 and early 2020.

Production

GR Gardens is responsible for production of recreational marijuana using outdoor, greenhouse, and indoor production methodologies. GR Gardens holds three Tier II producer licenses from the OLCC. "Manzanita Glen", an outdoor cultivation property leased in Josephine County, Oregon from its sister company, GRU Properties, LLC ("**GRU Properties**"), has 40,000 square feet of canopy. "Trail's End", an outdoor cultivation property leased from its sister company, GRU Properties in Jackson County, Oregon has 40,000 square feet of canopy. The Medford Warehouse project, an indoor cultivation property leased from its sister company, GRU Properties is designed to have 10,000 square feet of canopy when fully constructed (the "**Warehouse**"). The Warehouse is also the location of GR Distribution, the wholesale division of Grown Rogue and will also house the processing center for all Grown Rogue Oregon products. The Warehouse is currently 70% constructed with full construction of the Warehouse scheduled to be completed by end of Q2 2019. The two outdoor projects are anticipated to provide 3,000 lbs combined of cannabis annually and the Warehouse project is estimated to produce 2,500 lbs annually when fully completed.

Grown Rogue is located in the famed Emerald Triangle, which is well-known for the quality of its marijuana. With both indoor and outdoor operations, Grown Rogue is able to produce the high quality indoor flower through controlled atmosphere environment (CAE) operations. By carefully controlling temperature, humidity, C02 levels and other criteria, Grown Rogue is able to provide year-round supply of high quality marijuana flower with multiple harvests per month.

With its location in Southern Oregon, Grown Rogue is also able to capitalize on an ideal outdoor growing environment where it can produce high quality, low cost marijuana to serve as feed stock for the other products Grown Rogue offers (vape cartridges, concentrates, pre-rolls, and edibles). Grown Rogue is able to produce this feed stock at 3 to 4 times cheaper than indoor production costs and is thus able to establish competitive market prices.

Product

The products Grown Rogue produces include a variety of flower products (indicas, sativas, and hybrids), both high CBD and THC strains, pre-rolls, vape cartridges, and other derivative products to establish a more diverse and full service opportunity for its dispensary customers. Grown Rogue has a suite of "core" strains that represent the primary product line that consumers can rely upon every time they arrive at their local dispensary. In addition to the "core" product offerings, Grown Rogue also provides seasonal strains for both indoor and outdoor product. This variety appeals to the consumer by offering a diverse product with competitive market pricing.

Grown Rogue is establishing a unique approach in the current cannabis industry market place by bringing a large variety of unique strains. This variety allows Grown Rogue to meet the various demands of the consumer as well as provide a complete suite of strain specific products from the original seed to final derivative products. This allows each customer to select their own preferred consumption method and still enjoy Grown Rogue products. Grown Rogue flower is award winning in one of the most competitive cannabis production environments in the world. Grown Rogue won the prestigious Growers Cup competition where a select number of reputable producers were all provided the identical genetic which tests the growers techniques. Grown Rogue won 1st place for highest THC content, 1st place for highest terpene content, and 3rd place in the growers choice category. In addition, Grown Rogue believes it has achieved an outdoor production, potency record in the state of Oregon achieving a THC potency of 35.13% for it Monkey Train strain. In March 2019, Grown Rogue won awards at the prestigious SunGrowers Guild for 1st place for highest Myrcene percentage for Mickey Kush 2nd place for highest Limonene percentage for Jack Train.

Grown Rogue pre-rolls are produced only from flower (no trim) and are packaged in a patent pending nitrogen sealed glass tube to ensure only the freshest products for the customer.

The vape cartridges are a combination of both pure CO2 oil extraction, which provides the best in flavor, and distillate. The distillate is carefully flavored with specific terpene ratios to enhance the flavors and experience for the customer. Grown Rogue uses only the best hardware from reputable suppliers to ensure limited malfunction of its products.

Grown Rogue produces a wide array of concentrate products, including shatter, wax, live resin, and snap and pull. Only the best input material is utilized in their concentrates resulting in the highest quality products

Grown Rogue sources all of its equipment and materials from vendors it believes to be reliable from both cannabis centric companies (i.e. hydroponic grow stores) and conventional agriculture solutions. Pricing is generally lower than retail pricing as Grown Rogue sources the majority of their supplies directly from the manufacturer**.**

On December 10, 2018, Grown Rogue announced the launch of an edible line through a partnership with Jeff Shepherd, a world renowned Chocolatier. The partnership will feature TCH and CBD infused chocolate products under the GRAM and Grown Rogue brands – both wholly-owned by the Company. GRAM Dark Chocolate edibles are now available in a select number of the 221 Oregon dispensaries that carry the Grown Rogue brands. The terms of the joint venture include a 60% ownership of the joint venture entity by Grown Rogue which will contract with Rogue Distribution to provide distribution services for all of the products. The joint venture was formed through Idalia LLC, an Oregon limited liability company.

Genetics

Grown Rogue previously contracted with a geneticist to provide proprietary genetic lines into the Grown Rogue portfolio. Through the implementation of this robust breeding and phenotype selection program, Grown Rogue is focused on identifying and capturing the specific genetic traits that consumers are requesting. The end goal of this work is to have patented proprietary strains that Grown Rogue can license as well as work toward establishing stable seed that can be used in Grown Rogue production.

All of Grown Rogue genetics are rigorously tested to establish the genetic makeup of each strain in its portfolio.

Distribution and Sales

Grown Rogue distributes product through its wholly owned subsidiary, GR Distribution, doing business as Rogue Distribution, which works directly with Oregon dispensaries to provide quality, consistency, and product variety year-round. Grown Rogue's sales team works directly with dispensary owners and intake managers to provide consistent product, competitive prices, and service using sales techniques from other industries such as pharmaceutical and liquor. Rogue Distribution has also developed relationships with many existing brands and provides exclusive distribution services for those brands in the State of Oregon and first rights for distribution in other states that Grown Rogue enters as part of a broader product offering. This allows Grown Rogue to rapidly expand its brand presence in new states by providing the nexus for the best brands in the states Grown Rogue works to enter. Grown Rogue typically charges for distributing these products a markup ranging from 15% to 45% depending on several factors. This allows Grown Rogue to increase its product offerings for dispensaries and simplify their purchasing process by reducing the number of vendors that each dispensary needs to work with.

By way of example, Grown Rogue has developed end user product marketing collateral and other educational information regarding Grown Rogue products as part of all sales with dispensaries that include strain type, testing results, information on the product and specific company and other necessary information to clearly articulate the product being provided. Each product is uniquely packaged all while maintaining brand consistency across the product suite.

Grown Rogue works with dispensary owners to develop promotional opportunities for the retail customers and bud tenders. This is structured in the form of providing select "rare" strains, clothing, or other items that are provided to certain customers based on their loyalty and/or purchasing volume. Grown Rogue provides detailed tutorials to the staff and owners of the dispensaries around the product and how it is grown, processed, cured, packaged and other items so that they are intimately familiar with the Grown Rogue process. Grown Rogue also provides expense paid trips for dispensary owners and operators to Grown Rogue's operating facilities so they can see first-hand the methods and processes used to create the product. Grown Rogue is implementing a proprietary software solution to streamline the inventory and logistics of GR Distribution based on Microsoft Technology. This system allows Grown Rogue to provide real time inventory analysis both internally and with dispensaries allowing for immediate re-ordering of Grown Rogue products simplifying the supply chain logistics in the cannabis markets.

Branding

Building a cannabis brand is by far one of the most critical aspects to a successful company in the sector. Currently, almost all cannabis brands are focused on one of two aspects:

- The flower and/or quality of the flower as the flower is the raw material for all cannabis products.
- The effect, mostly focused on impact of the product.

The above two components largely benefit the current cannabis consumer, or legacy cannabis user, who has a solid understanding of strains and the effects they tend to generate.

While Grown Rogue prides itself on the highest quality flower, its brand aims to penetrate into broader, mainstream markets through a promise of "enhancing consumer life experience." The Grown Rogue brand is focused on delivering a true "Seed to Experience" that accomplishes several key objectives:

1. Addresses the negative stigma attached to cannabis at both a cultural and regulatory level.

2. Establishes the company's core values and purpose.

3. Forecasts the company's trajectory and market positioning.

Everyday experiences like running, reading a book, sharing a beverage with friends, or creative writing can be enhanced with the right strain of cannabis properly ingested at the right dosage. Grown Rogue is deeply focused on enhancing consumer experience and thus aims to provide intelligence and education around the various strains, genetic disposition, and the key product characteristics from profile testing. The education Grown Rogue provides through digital channels develops best practices and community engagement as the company strives to eliminate the "dark mystery" historically associated with cannabis. Grown Rogue attempts to provide the market with detailed knowledge on the plant. To this end, Grown Rogue has developed proprietary classifications on how the cannabis product affects a consumer, physically and psychologically based on analysis of THC potency, Terpene mix, user feedback, and various other internal metrics.

Within these classifications is a range of cannabis strains that help to enhance certain types of experiences. Grown Rogue continues to study and iterate this proprietary classification system to ensure the categories meet consumer expectations.

The brand strategy is to provide both the experienced cannabis user and the cannabis curious, potential user with information that will guide their purchasing decisions in the most concise and beneficial manner possible to ensure they purchase the right product for the experience they are seeking to enhance.

From a social media standpoint, Grown Rogue is committed to providing a universal appeal that is not specific to one market or consumer segment. Grown Rogue has built a large social following by combining imagery and text that educates, empowers and inspires by focusing on our team as they cultivate, trim, and package Grown Rogue products plants and life style imagery that shows consumers in settings and situations where experiences can be enhanced with cannabis. Our brand strategy allows us to build a broad community of both active and potential consumers who live in locations around the United States.

In June 2018, Grown Rogue launched GRAM, its second brand into the Oregon market (after its first brand "Grown Rogue"). GRAM is focused on providing the highest quality products at the most competitive prices. GRAM currently is focusing on pre-rolls and shatter.

Marketing and Advertising

Grown Rogue's marketing channels include a comprehensive, fully responsive (mobile) interactive website. The website has been search engine optimized (SEO) and includes call to action (CTA) boxes that request contact information so consumers, and potential consumers, can join our community.

Grown Rogue is focused on providing education to the large majority of new and existing consumers. This education will be focused on providing blogs and articles that highlight important topics and information to further enhance the public's understanding of the myriad of uses and benefits of cannabis.

Digital and print advertising will be used to reach our endemic audience where Grown Rogue are selling or distributing products.

Grown Rogue has established a social media presence that includes Facebook, Twitter, and Instagram. Grown Rogue's social identity will be defined by delivering fresh content and keeping interaction with followers/fans prompt and positive. Grown Rogue intends to attract existing cannabis industry participants as well as people not familiar with the industry by creating a positive, inclusive environment where dialogue is encouraged. The goal is to change existing stereotypes and overcome the stigmas associated with the cannabis industry.

Trademarks and Patents

Grown Rogue actively seeks to protect its brand and intellectual property. Grown Rogue currently has eleven different trademarks that have been submitted with three that have been Registered

- Grown Rogue was filed on September 22, 2017 and registered on August 7, 2018 under Registration No. 5537240
- The Right Experience Every Time was filed on September 29, 2017 and registered on August 7, 2018 under Registration 5537260.
- Sizzleberry was filed on September 29, 2017 and registered on August 7, 2018 under Registration 5537259.
- Groove; Relax; Optimize; Uplift; Energize, GRAM are all under review.

Grown Rogue filed a patent for its nitrogen sealed glass containers on February 15, 2018. This patent application, No: 15/897,906 is pending review by the United States Patent Office.

Social and Environmental Policies

Grown Rogue employs sustainable business models in all of its operations. On the cultivation side, Grown Rogue maintains the highest standards of environmental stewardship. This includes sustainable water sources with reclamation and recapture as much as possible from runoff and recycling of dehumidification water. Grown Rogue uses only natural and organic products in all of their applications from nutrients to integrated pest management. Grown Rogue has obtained the "Clean Green" certification for its use of sustainable, natural, and organically based practices, which is generally considered to be the highest level of sustainable cannabis practices in the US. These are standard industry best practices that have little to no impact on capital expenditures.

Grown Rogue hires and pays living wage to all of its employees and is very involved in each of the communities where it operates.

Expansion into California and Michigan

On December 5, 2018, Grown Rogue announced its expansion into California and that it secured 16,000 square feet of real estate in California's Humboldt County, as part of a multi-state expansion of its operations into California through its subsidiary GRD Cali, LLC. GRD Cali, LLC has received licensing approval from the City of Eureka and anticipates full distribution license approval from the State of California shortly. In 2019, Grown Rogue plans to build out the 16,000 square feet California location to add a manufacturing lab as well as retail operations.

Grown Rogue has also expanded its business into California, currently the largest cannabis market in the United States with an anticipated market of over US$7.7 billion by 2021 [Source: Report from Arcview Market Research and BDS Analytics, April 2018] by forming a joint venture facility in northern California to position Grown Rogue in the largest production area in the United States. The terms of the joint venture include a 60% ownership of the joint venture entity by Grown Rogue, free rent of an existing 16,000 square foot former chip manufacturing and packaging plant for 24 months, with conditional approval by the local municipality for a micro-tier business that includes distribution, production, retail and manufacturing. Grown Rogue intends to use this facility as its sourcing center for production materials that it will then sell to other distribution companies and for direct sale to retail dispensaries through an in-house sales team. The joint venture will be formed through GRD Cali, LLC, a California company. Grown Rogue's focus in California is to start with distribution, move into extraction (manufacturing), and ultimately retail. Grown Rogue believes California will ultimately see similar price compression as other recreational states and therefore does not anticipate constructing or operating cultivation facilities in California for several years. Grown Rogue currently has received local approval for distribution, volatile, and non-volatile manufacturing. Grown Rogue has received state approval for distribution license and anticipates first sales in Q2 2019. hold any licenses to operate its business in California, and intends to obtain such required licenses prior to entering the California market.

On December 5, 2018, GRIN announced its expansion into Michigan and its plans to acquire operational control of the following assets in Michigan pending Municipal and State regulatory approval:

- Two strategically located proposed provisioning centers (retail dispensaries) in high demand regions in Midtown Detroit and Hazel Park where limited municipal licenses have been granted.
- A proposed 19,000 sq ft indoor cultivation and processing facility in Detroit, Michigan capable of producing 1,500,000 grams of dried cannabis flower annually at full production; and
- An entity that has received multiple municipal cultivation licenses for a 28-acre parcel located in

the northern portion of the lower Michigan peninsula.

Once fully licensed, Grown Rogue will offer consumers in California and Michigan locally produced Grown Rogue branded products. Michigan licenses are very competitive requiring State, Municipal, and real-estate approvals. Grown Rogue's assets are all either fully approved or in final stages of obtaining full approval further distinguishing the Grown Rogue assets as actionable and closing the window on achieving revenue.

Economic Outlook

Grown Rogue will continue focusing on expanding and growing its business model both in the existing states and additional states to establish itself as one of the premier multi-state cannabis companies. The proven business model, established in Oregon, has been successfully expanded into California and Michigan and is focused on providing consumers with best in class, innovative products. Grown Rogue now controls assets that will allow for operation of up to 22 licenses in three states and will continue expanding upon this foundation as the business grow. Grown Rogue will continue to look for organic and accretive growth. Accretive growth through acquisition or merger will be a key objective for Grown Rogue in all of the states they operate or look to enter. Grown Rogue is currently assessing additional states that meet their entry criteria and is targeting 3 additional states to enter by end of 2020.

Grown Rogue executives and technical staff have significant cannabis and business experience that includes extensive knowledge of indoor, outdoor, and greenhouse growing conditions required to optimize productivity; financial; sales; marketing; and branding. With the necessary specialized skill sets of the management team, Grown Rogue believes that all of the necessary skill and labor is available to execute upon its multi-state expansion strategy as long as Grown Rogue is able to continue attracting and retaining top tier talent.

Grown Rogue's intellectual property subsidiary, GRIP, has been in operation since late 2016. GRIP focuses on all branding and marketing, genetic research, cultivation analytics, and intellectual property protection. GRIP's brands (Grown Rogue & GRAM) are licensed to Grown Rogue and its other subsidiaries. GRIP will continue developing new brands and ideas to be licensed to Grown Rogue or other cannabis based companies in the territories that Grown Rogue targets for expansion.

Grown Rogue is also working to develop a luxury edible product line that will fall under the Grown Rogue brand that will include additional products than just chocolate bars. These products are currently under R&D and market research with expected launch in 2019.

The Company aims to continue to building its premier Seed to Experience brand. The Seed to Experience branding will be built through continued focus on digital media and advertisement, social presence and search engine optimization, continuing development of the ROGUE Study, and increasing the number of events at retail locations allowing for direct access to the consumer. The Company currently controls premier advertising space in a number of industry magazines and will continue to increase its presence over the next 12 months by adding to the number of advertising campaigns. Social media and website presence will increase through better content and high resolution photography. Dispensary events provide one of the best options for connecting with the consumer and educating them on the Grown Rogue brand. Currently Grown Rogue completes 10 to 15 events monthly at a cost of $200/event and plans on increasing this frequency to 25 to 30 events monthly at $400 an event with an increased focus providing branded materials in the form of hats, shirts, stickers, and other useful materials to further the brand penetration.

During the year ended October 31, 2018, the Company entered into a technology license agreement (the "Technology License Agreement") pursuant to which, the Company was granted the exclusive license to certain intellectual property in the field of development, breeding, cultivation, growing, harvesting, processing and commercializing cannabis, hemp and related plants and products (the "Technology").

California

Grown Rogue's plans in California are focused on establishing brand presence for the current portfolio of both internal and external brands. The facility in Eureka will all the Company to source and distribute products across the state. With the manufacturing license being obtained and construction being finished, Grown Rogue will be able to establish lower cost of goods on the manufactured products increasing our competitive pricing in the state. With both volatile and non-volatile licenses, edibles, cartridges, and concentrate products will all be available. Grown Rogue anticipates first sales in California during Q2 2019.

Grown Rogue anticipates similar price compression and supply glut as seen in Oregon and thus believes to be well positioned to navigate these challenges based on experience in Oregon. As such, Grown Rogue does not anticipate building or operating any cultivation facilities for at least 2 years. The Company will look to partner with select cultivators under direct purchase or contract manufacturing where the Company can bring their award-winning cultivation methods to ensure the highest quality products.

Michigan

Grown Rogue views Michigan as a platform state and will be deploying considerable resources and focus in the state over the next 12 to 24 months. With the large market potential, the high barriers to entry, and the partnerships already established, Grown Rogue is poised to capture considerable market share inside of the Michigan market. With the success created in Oregon and the understanding of where the cannabis consumer is headed, Grown Rogue is excited to bring the future of cannabis into these new markets in the Midwest and eastern portion of the US.

Grown Rogue will be looking to add additional dispensaries and cultivation into the Michigan portfolio over the coming year to ensure the correct branding and product consistency is available. Early in the life cycle of new states ensuring product supply to meet demand is critical and that means controlling the entire supply chain through vertical integration.

Oregon

Despite the price compression and over-supply in Oregon, Grown Rogue continues to experience outsized demand for our products. The current infrastructure does not supply enough product inventory to meet the market demand and thus Grown Rogue will be looking to diversify and add production capacity to our portfolio in 2019. This will be accomplished through continued sourcing of high quality products from our partner farms, acquisition or merger of additional manufacturing capacity of existing cultivation licenses, building additional cultivation capacity or contract management of existing operations.

The Farm property is a 100+ acre pear orchard property with significant infrastructure and priority water rights, with a total licensable canopy of approximately 280,000 sq feet. The Farm is anticipated to be acquired through an owner carry arrangement for Grown Rogue to purchase the property in five years.

Grown Rogue, through its subsidiary GR Gardens, has already submitted a Tier II producer license application to the OLCC for 40,000 sq feet of canopy at an existing 100+ acre farm in Oregon. With a total potential capacity of 280,000 sq feet of additional canopy, this project would satisfy the Grown Rogue production requirements for the forseeable future. Execution of this project would require purchasing the farm and spending considerable sums of money to effectuate the buildout. Grown Rogue is considering this option as it relates to other options in Oregon and the other states.

GR Gardens anticipates securing a processing license in Q2 2019 that would allow it to produce its own derivative products, with expected decreases in costs and greater assurance of consistency of production. The extraction lab is anticipated to be constructed at the Warehouse.

Grown Rogue, through one or more of its subsidiaries, also anticipates securing retail establishments in Oregon through strategic partnerships or acquisitions to fulfill the vertical integration strategy of Grown Rogue and to help ensure quality and consistency in the supply chain. Grown Rogue anticipates establishing its retail presence inside of Oregon by middle of 2019.

Definitive Transaction Agreement and Reverse Take-over Transaction

On October 31, 2018, the GR Unlimited, Novicius Corp. ("**Novicius**"), Grown Rogue Canada Inc. and Novicius Acquisition Corp. entered into a definitive transaction agreement which set out the terms for the reverse take-over of Novicius by GR Unlimited and the related transactions (the "**Transaction**"). The Transaction was completed on November 15, 2018 and the Company began trading its common shares through the facilities of the Canadian Securities Exchange under the symbol "GRIN" on November 26, 2018.

As part of the Transaction, the Company changed its name from "Novicius Corp." to "Grown Rogue International Inc." and consolidated its existing common shares on the basis of one common share for each 1.4 existing common shares. The unitholders of GR Unlimited exchanged their equity membership interests to GR Unlimited for common shares of the Company on a one-for-one basis. The Transaction resulted in the Company becoming the owner all of the equity membership interests in GR Unlimited. In connection with the Transaction, GR Unlimited, directly and through Grown Rogue Canada Inc., raised approximately $6.5 million through brokered and non-brokered private placements.

For further details regarding the Transaction and related financings, please refer to the Company's Listing Statement filed on SEDAR on November 23, 2018.

Going Concern

The Company's ability to continue as a going concern is dependent upon, but not limited to, its ability to raise financing necessary to fund its development programs and general and administrative expenses, discharge its liabilities as they become due and generate positive cash flows from operations. There is no certainty that the Company will be successful in raising additional capital or creating positive cash flow from operations..

Selected Annual Information

The following selected financial data for each of the two completed financial years are derived from the audited annual financial statements of the Company.

Year Ended October 31	**2018**	**2017[1]**
	$	**$**
Total revenue	1,932,128	156,066
Loss from operations	(4,736,382)	(138,854)
Net loss	(6,552,856)	(302,397)
Total assets	5,342,756	2,914,491
Total non-current financial liabilities	2,333,894	1,069,139
Cash dividends	Nil	Nil

(1) For the period from October 31, 2016 to October 31, 2017.

Results of Operations

Grown Rogue's net loss from operations amounted to $4,798,562 for the three months ended January 31, 2019, an increase of $3,461,467 when compared to a loss from operations of $1,337,095 for the three months ended January 31, 2018. The main component driving this loss for the three months ended January 31, 2019 are transaction costs of $3,723,724, the majority of which relate to the fair value of shares issued to effect the Transaction. These expenses are not expected to recur in the future.

Revenue for the three months ended January 31, 2019 increased by $663,349 to $834,309 from $170,960 during the three months ended January 31, 2018. The increase is a result of the addition of a sales team and third party distribution as well as an increase in awareness of the Grown Rogue brand.

Cost of sales for the three months ended January 31, 2019 amounted to $577,979 while cost of sales for the three months ended January 31, 2018 were $485,165. Included in cost of sales for the three months ended January 31, 2019 is an unrealized gain on changes in fair value of biological assets of $44,830. Cost of sales for the three months ended January 31, 2108 was increased by an unrealized loss on changes in fair value of biological assets in the amount of $366,079. These fair market adjustments relate to increasing the fair value (less costs to sell) of the cannabis crops in various stages of growth prior to harvest and any further processing required to produce inventory available for sale. The valuation of Grown Rogue's biological assets, and the resulting fair market adjustment, includes several estimates made by management based on inputs that, by their nature, are unobservable as at January 31, 2019 and 2018. These include the average harvest yield, average selling prices, standard costs to bring the plants to harvest, as well as the stage of growth. Changes in these estimates could result in changes to the fair value of the biological assets, as well as the unrealized gain on changes in the fair value of these biological assets.

For three months ended January 31, 2019, the Company earned a gross margin of $256,330. A negative gross margin of $314,205 was incurred during three months ended January 31, 2018. This negative gross margin during fiscal 2018 was a function of a decrease in the sale price of certain products and its effect on the carrying value of the Company's biological assets and resulting inventory, as well as higher labor costs included in cost of sales as the Company scaled up and trained its labor force in proper cultivation and packaging processes. The higher estimated sale prices for some of the Company's products over the course of the growth cycle, resulted in increased values being ascribed to some of the Company's inventory based on the valuation methodology for the Company's biological assets as described above. As the market price was higher during the growth process, a higher fair value was assigned to these assets. Once the growth stage was complete, however, the market price had decreased, such that the carrying value of the inventory was higher than the sales price at the time the product was ready for sale. The Company has since refined its cultivation processes to be more efficient resulting in lower cost of sales and a better gross margin.

Operating expenses for the three months ended January 31, 2019 were $4,915,040, an increase of $4,238,763 when compared to expenses of $676,277 for the three months ended January 31, 2018. Included in operating expenses for the three months ended January 31, 2019 were transaction-specific costs of $3,723,724, as discussed previously. Expenses for the three months ended January 31, 2018 were low as the Company was still in the process of ramping up operations. While there were overall increases among all expenses as the Company increased the scope of its operations, the most significant areas of increased expenses relate to salaries and benefit expenses as the Company continued to increase its number of staff, marketing and promotion, investor relations and travel expenses. Facility and utilities expenses increased based on the continued development of the Company's premises. The Company also incurred bad debt expenses of $51,594 related to an increase in its allowance for doubtful accounts which is a function of having a growing customer base and higher sales.

During the years ended October 31, 2017 and 2018, GR Unlimited issued convertible promissory notes with an aggregate face value of $3,395,275. While nearly all of the convertible promissory notes had been repaid or converted by January 31, 2019, the Company continued to incur interest expense and accretion expense during the three months ended January 31, 2019. GR Unlimited also entered into two finance leases for $268,184, in aggregate, and issued convertible debentures with aggregate principal of $1,141,060. The result of these various debt financings is interest expense of $164,852 and accretion expense of $17,964 incurred during the three months ended January 31, 2019. As a result of the various debt repayments and conversions into common units of GR Unlimited throughout fiscal 2018, interest expense for the three month period had decreased by $172,658 when compared to interest expense of $172,658 incurred during the three months ended January 31, 2018.

Capital Resources

As at January 31, 2019, GR Unlimited had issued debt consisting of convertible and promissory notes and convertible debentures for aggregate proceeds of $4,539,150, the proceeds of which were used to purchase property and equipment and fund working capital requirements. In addition, GR Unlimited raised $225,000 through subscriptions for common units and $1,300,345 through subscriptions for seed round preferred units. In connection with the Transaction, GR Unlimited and Grown Rogue Canada Inc. raised gross proceeds of $3,338,893 through the issuance of subscription receipts that were eventually converted into common shares and warrants of the Company upon close of the Transaction.

Summary of Quarterly Results

The following table sets out selected quarterly results of the Corporation for the eight quarters ended on or before January 31, 2019. The information contained herein is drawn from the interim financial statements of the Corporation for each of the aforementioned eight quarters.

Fiscal Year	**2019**	**2018**				**2017**		
Quarter	**Jan**	**Oct**	**Jul**	**Apr**	**Jan**	**Oct**	**Jul**	**Apr**
	$	$	$	$	$	$	$	$
Revenue	834,309	790,236	679,906	291,026	170,960	145,222	10,844	Nil
Net income (loss)	(4,798,562)	(1,554,980)	(1,460,380)	(2,146,869)	(1,390,627)	95,476	(153,629)	(244,244)
Net income (loss), per unit basic and diluted	(0.08)	(0.41)	(0.39)	(0.57)	(0.37)	0.03	(0.04)	(0.06)

Liquidity and Capital Resources

The Company's cash and cash equivalents position was $531,908 as at January 31, 2019 (October 31, 2018 - $826,643). The Company had working capital of $840,575 as at January 31, 2019 compared to a working capital deficiency of $451,545 as at October 31, 2018.

During the three months ended January 31, 2019, Grown Rogue spent $2,168,603 on operating activities, compared to cash spent on similar activities of $921,157 for the three months ended January 31, 2018.

These funds were primarily spent on operating expenses and inventory. The Company invested $84,428 in property and equipment and intangible assets during the three months ended January 31, 2019, a decrease compared to investment in similar assets of $760,864 during the three months ended January 31, 2018. Finally, Grown Rogue was able to generate cash of $1,955,421 through financing activities during the three months ended January 31, 2019 by way of the issuance of subscription receipts of $3,234,893, which was offset by other debt repayments and transaction and equity issuance costs. Cash generated during the three months ended January 31, 2018 from financing activities was $2,591,347 and was related to the issuance of members' equity by way of partnership units and the proceeds from long-term debt.

The Company's capital requirements to maintain its properties and fund exploration and general overhead expenses have been met primarily through the completion of private placements.

Commitments

As at January 31, 2019, Grown Rogue has commitments under operating leases for its facilities and commitments under finance lease for equipment. The minimum lease payments due are as follows:

Fiscal Year	Amount
2019	$259,384
2020	$227,772
2021	$20,600

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Outstanding Unit Data

As of the date of the MD&A, the Company has 71,653,598 common shares outstanding.

As of the date of this MD&A, the Company has the following warrants outstanding:

Exercise Price	Warrants Outstanding	Remaining Contractual Life (Years)	Expiry Date
$17.50	16,883	0.42	August 31, 2019
$14.00	17,183	0.66	November 30, 2019
$0.44	757,125	1.62	November 15, 2020
$0.55	21,253,089	1.62	November 15, 2020
	22,044,279	1.61	

Transactions with Related Parties

During the Reporting Period, the Company was involved in the following transactions with related parties:

a) Through its wholly owned subsidiary, GRU Properties, LLC leased 41.92 acres of real property located in Trail, Oregon owned by J. Obie Strickler, the Company's President and CEO. The lease expires on December 31, 2020. Rent of $16,550 was included in facility expense for the period ended January 31, 2019 (2018 - $15,500). The Company had $5,500 (October 31, 2018 - $5,500) owing in accounts payable and accrued liabilities at January 31, 2019.

b) The Company incurred employee/director fees of $12,000 (2018 - $12,000) with an individual related to J. Obie Strickler, the Company's President and CEO. At January 31, 2019, due to employee/ director includes $Nil (October 31, 2018 - $14,000) and accounts payable and accrued liabilities includes $4,000 (October 31, 2018 - $12,000) payable to this individual.

c) The Company incurred fees related to marketing and promotion services of $94,292 (2018 - $87,785) from two companies owned by Jacques Habra, the Company's Chief Strategy Officer ("CSO"). At January 31, 2019, accounts payable and accrued liabilities includes $24,703 (October 31, 2017 - $25,054) payable to these companies.

d) Key management personnel consists of the President and CEO; Executive Vice President, CFO/General Counsel; and the CSO. The compensation paid or payable to key management for services for the periods ended January 31, 2019 and 2018 is as follows:

	2019	2018
Salaries and consulting fees	$156,792	$147,785

Accounts payable and accrued liabilities at January 31, 2019 includes $94,000 (October 31, 2018 - $94,000) and due to employee/ directors includes $Nil (October 31, 2018 - $90,000) payable to these parties.

The transactions are in the normal course of operations and are measured at the exchange amounts being the amounts agreed to by the parties.

Critical Accounting Judgments and Estimation Uncertainties

The preparation of the consolidated financial statements in conformity with IFRS requires that the Company's management make critical judgments, estimates and assumptions about future events that affect the that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The most significant judgments include those related to the ability of the Company to continue as a going concern, the determination of when property and equipment are available for use, and impairment of its financial and non-financial assets. The most significant estimates and assumptions include those related to the valuation of biological assets, the collectibility of accounts receivable, the useful lives of property and equipment, inputs used in accounting the determination of the discount rate used to estimate the fair value of the liability component of convertible promissory notes, the inputs used in the estimate of the fair value of unit-based compensation and the inputs used in the estimate of the fair value of the unit purchase option and warrants issued.

Newly Adopted Accounting Pronouncements

The Company adopted the following accounting policies as of November 1, 2018:

Financial Instruments

IFRS 9 financial instruments (“IFRS 9”) replaced IAS 39, Financial Instruments: recognition and Measurement. IFRS 9 includes guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedging requirements.

i) Classification and measurement of financial assets and financial liabilities

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: fair value through profit and loss (“FVTPL”), fair value through other comprehensive income (“FVOCI”), and amortized cost. Investments in equity instruments are required to be measured by default at FVTPL. IFRS 9 permit entities to elect into an irrevocable option for equity instruments to report changes in fair value in other comprehensive income.

Classification and measurement of financial assets is dependent on the entity’s business model for managing the financial assets and related contractual cash flows. IFRS 9 retains most of the requirements of IAS 39 related to classification and measurement of financial liabilities.

The following table summarizes the impact of the adoption of IFRS 9 on the classification of the Company's financial assets and liabilities:

Asset/Liability	**Classification under IAS 39**	**Classification under IFRS 9**
Accounts receivable, net	Loans and receivables	Amortized cost
Other receivables	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities at amortized cost	Amortized cost
Finance lease payable	Other liabilities at amortized cost	Amortized cost
Convertible promissory notes	Other liabilities at amortized cost	Amortized cost
Long-term debt	Other liabilities at amortized cost	Amortized cost
Interest payable	Other liabilities at amortized cost	Amortized cost
Convertible debentures	Other liabilities at amortized cost	Amortized cost
Due to employee/ director	Other liabilities at amortized cost	Amortized cost

ii) Impairment

IFRS 9 introduces a three-stage expected credit loss ("ECL") model for determining impairment of financial assets. The expected credit loss model does not require the occurrence of a triggering event before an entity recognizes credit losses. IFRS 9 requires an entity to recognize expected credit losses upon initial recognition of a financial asset and to update the quantum of expected credit losses at the end of each reporting period to reflect changes to credit risk of the financial asset. The adoption of the ECL model did not have a material impact on the Company's condensed consolidated interim financial statements.

Share-based Payments (Amendments to IFRS 2)

In June 2016, the IASB issued amendments to IFRS 2 that clarify how to account for certain types of share-based payment transactions.

The amendments provide requirements related to accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- the effect of a modification of the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

Adoption of the amendments to IFRS 2 as of November 1, 2018 did not have an impact on the Company's financial statements.

Revenue

IFRS 15 Revenue from Contracts with Customers, ("IFRS 15") replaced all preexisting guidance, including, but not limited to IAS 11 Construction Contracts, IAS 18 Revenue, and IFRIC 15 Agreements for the Construction of Real Estate in IFRS related to revenue. IFRS 15 contains a single control based model (the "model") that applies to contracts with customers and allows entities to recognize revenue at a point in time or overtime. The model consists of a 5 step analysis of transactions to determine whether, how much, and when revenue is recognized. IFRS 15 also includes additional requirements for revenue accounted for under the standard. Adoption of IFRS 15 as of November 1, 2018 did not have an impact on the Company's financial statements.

Recent Accounting Pronouncements

The accounting pronouncements detailed below have been issued but are not yet effective.

IFRS 16, Leases ("IFRS 16") was issued by the IASB in January 2016, and will replace IAS 17 Leases. IFRS 16 specifies the methodology to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases except for short-term leases and leases with low value assets. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 has also been adopted. A lessee will apply IFRS 16 to its leases either retrospectively to each prior Reporting Period presented; or retrospectively with the cumulative effect of initially applying IFRS 16 being recognized at the date of initial application. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

Financial Instruments and Other Risk Factors

i) Market Risk

a) Currency Risk

As at January 31, 2019, the Company had accounts payable and accrued liabilities of CAD$100,965. The Company is exposed to the risk of fluctuation in the rate of exchange between the Canadian Dollar and the United States Dollar. It is management's opinion that this risk is not material.

b) Interest Rate Risk

At January 31, 2019 and October 31, 2018, the Company's exposure to interest rate risk relates to long-term debt, convertible promissory notes, and finance lease obligations, but its interest rate risk is limited as the aforementioned financial instruments are fixed interest rate instruments.

c) Credit Risk

Credit risk is derived from cash and trade accounts receivable. The Company places its cash in deposit with major United States financial institutions. The Company has established a policy to mitigate the risk of loss related to granting customer credit.

The carrying amount of cash and trade accounts receivable represents the Company's maximum exposure to credit risk, which amounted to $847,600 (October 31, 2018 - $1,079,551) as at January 31, 2019. The allowance for doubtful accounts at January 31, 2019 is $158,037 (October 31, 2018 - $106,443).

d) Liquidity Risk

Liquidity risk represents the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities. The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they become due. At January 31, 2019, the Company has current assets of $2,754,443 and current liabilities of $1,913,868, which resulted in working capital of $840,575.

e) Fair Values

The carrying amounts for the Company’s cash, accounts receivable, amounts due from a related company, short-term advance to a related party, accounts payable and accrued liabilities, amounts due to employee/director, short-term advance payable, promissory notes and convertible promissory notes approximate their fair values because of the short-term nature of these items.

f) Fair Value Hierarchy

A number of the Company's accounting policies and disclosures require the measurement of fair valued for both financial and non-financial assets and liabilities. The Company has an established framework, which includes team members who have overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. The Company regularly assesses significant unobservable inputs and valuation adjustments. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the period ended January 31, 2019 there were no transfers of amounts between levels.

Regulatory Disclosure

Grown Rogue derives a substantial portion of its revenues from the cannabis industry in the United States, which industry is illegal under United States federal law. Grown Rogue is indirectly involved (through subsidiaries) in the cannabis industry in the United States where local state laws permit such activities. Currently, its subsidiaries are directly engaged in the manufacture, possession, use, sale or distribution of cannabis in the recreational cannabis marketplace in the State of Oregon. Grown Rogue also intends to enter the California and Michigan markets.

The United States federal government regulates drugs through the Controlled Substances Act (the "**CSA**"), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I drug. Under federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States and a lack of accepted safety for the use of the drug under medical supervision. The United States Food and Drug Administration has not approved marijuana as a safe and effective drug for any indication.

In the United States cannabis is largely regulated at the state level. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, and the increasing number of states with legal recreational frameworks, cannabis continues to be categorized as a Schedule I controlled substance under the CSA and as such, violates federal law in the United States. Senators Elizabeth Warren and Cory Gardner have introduced a bipartisan Senate bill titled "Strengthening the Tenth Amendment Through Entrusting States (STATES) Act" that would lift the Controlled Substance Act's restrictions on cannabis in states that have written their own laws. However, there can be no assurances as to when this bill will pass, or if it will pass at all. The Supremacy Clause of the United States Constitution and United States federal laws made pursuant to it are paramount and in case of conflict between federal and state law in the United States, the federal law shall apply.

As a result of the conflicting views between state legislatures and the United States federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the "**Cole Memorandum**") addressed to all United States district attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several US states had enacted laws relating to cannabis for medical and recreational purposes. The Cole Memorandum outlined certain priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that enacted laws legalizing cannabis in some form and that also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level.

In March 2017, newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit; however, he disagreed that it had been implemented effectively and, on January 4, 2018, Attorney General Jeff Sessions issued a memorandum (the "**Sessions Memorandum**") that rescinded the Cole Memorandum. As a result of the Sessions Memorandum, federal prosecutors are no longer bound by the priorities in the Cole Memorandum relating to the prosecution of cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions.

There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the Controlled Substances Act with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, Grown Rogue's business, results of operations, financial condition and prospects would be materially adversely affected. Until Congress amends the federal law with respect to marijuana use, there is a risk that federal authorities may enforce current federal law against companies such as Grown Rogue for violation of federal law or they may seek to bring an action or actions against Grown Rogue and/or its investors for violation of federal law or otherwise, including, but not limited to, a claim against investors for aiding and abetting another's criminal activities.

In light of the uncertainty surrounding the treatment of United States cannabis-related activities, including the rescission of the Cole Memorandum, the Canadian Securities Administrators published a staff notice (Staff Notice 51-352 (Revised)) on February 8, 2018 setting out certain disclosure expectations for issuers with United States cannabis-related activities. Staff Notice 51-352 (Revised) includes additional disclosure expectations that apply to all issuers with United States cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the United States cannabis industry.

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* ("Staff Notice 51-352"), below is a table of concordance that is intended to assist readers in identifying the disclosure expectations outlined in Staff Notice 51-352.

In accordance with Staff Notice 51-352, this section provides a discussion of the federal and state-level U.S. regulatory regimes in the jurisdictions where Grown Rogue is currently directly involved through its subsidiaries or is planning to be directly involved in the future. Certain Grown Rogue subsidiaries are directly engaged in the manufacture, possession, use, sale or distribution of cannabis in the recreational cannabis marketplace in the State of Oregon. Grown Rogue also intends to enter the California and Michigan markets. In accordance with Staff Notice 51-352, Grown Rogue will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation. Any non-compliance, citations or notices of violation which may have an impact on Grown Rogue's licenses, business activities or operations will be promptly disclosed by Grown Rogue.

All Issuers with US Marijuana-Related Activities	**Response**
Describe the nature of the issuer's involvement in the U.S. marijuana industry and include the disclosures indicates for at least one of the direct, indirect and ancillary industry involvement types.	See above under "Description of Business". See below under "U.S. Regulatory Matters"
Prominently state that marijuana is illegal under US federal law and that enforcement of relevant laws is a significant risk	See above
Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities.	See below under "U.S. Regulatory Matters" See the following risk factors included in the Company's Listing Statement available on www.SEDAR.com: Section 17 – *Risk Factors – Grown Rogue's Business is Illegal under U.S. Federal Law* Section 17 – *Risk Factors – Because marijuana is illegal under federal law, investing in cannabis business could be found to violate the US Federal CSA*
Outline related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer's ability to operate in the U.S.	See the following risk factors included in the Company's Listing Statement available on www.SEDAR.com: Section 17 – *Risk Factors – Grown Rogue's Business is Illegal under U.S. Federal Law* Section 17 – *Risk Factors – Because marijuana is illegal under federal law, investing in cannabis business could be found to violate the US Federal CSA* Section 17 – *Risk Factors – Risks Relating to Other Laws and Regulations* Section 17 – *Risk Factors – Current and Future Consumer Protection Regulatory Requirements*

	Section 17 – *Risk Factors – Operational Risks* Section 17 – *Risk Factors – Grown Rogue will not be able to deduct many normal business expenses* Section 17 – *Risk Factors – External Factors* Section 17 – *Risk Factors – Failure to Protect Intellectual Property* Section 17 – *Risk Factors – Agricultural Operations* Section 17 – *Risk Factors – Liability, Enforcement Complaints etc.* Section 17 – *Risk Factors – Grown Rogue's business is highly regulated and it may not be issued necessary licenses, permits, and cards* Section 17 – *Risk Factors – Licenses* Section 17 – *Risk Factors – Local Laws and Ordinances* Section 17 – *Risk Factors – Third party service providers to Grown Rogue may withdraw or suspend their service* Section 17 – *Risk Factors – Grown Rogue may not be able to obtain or maintain a bank account* Section 17 – *Risk Factors – Grown Rogue's contracts may be unenforceable and property may be subject to seizure* Section 17 – *Risk Factors – The protections of US bankruptcy law may be unavailable* Section 17 – *Risk Factors – Grown Rogue may have a difficult time obtaining insurance which may expose Grown Rogue to additional risk and financial liabilities* Section 17 – *Risk Factors – Grown Rogue's websites are accessible in jurisdictions where medicinal or recreational use of marijuana is not permitted and, as a result Grown Rogue may be found to be violating the laws of those jurisdictions* Section 17 – *Risk Factors – The marijuana industry faces significant opposition in the United States*
Given the illegality of marijuana under US federal law, discuss the issuer's ability to access both public and private capital and indicate what financing options are/are not	See above under "Description of Business". See the following risk factor included in the Company's Listing Statement available on www.SEDAR.com: Section 17 – *Risk Factors – Grown Rogue may not be able to obtain or maintain a bank account*

available in order to support continuing operations.	
Quantify the issuer’s balance sheet and operating statement exposure to U.S. marijuana-related activities.	100% of Grown Rogue’s balance sheet and operating statements are exposed to U.S. marijuana-related activities.
Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	Grown Rogue has received legal advice from multiple attorneys regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.
CSA Requirement – US Marijuana Issuers with direct involvement in cultivation or distribution	**Response**
Outline the regulations for U.S. states in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	See below under “U.S. Regulatory Matters”
Discuss the issuer's program for monitoring compliance with U.S. state law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the issuer is in compliance with U.S. state law and the related licensing framework. Promptly disclose any non-compliance, citations or notices of violation which may have an impact on the issuer's licence, business activities or operations.	See below under “U.S. Regulatory Matters” See the following risk factors included in the Company’s Listing Statement available on www.SEDAR.com: Section 17 – *Risk Factors – Grown Rogue’s Business is Illegal under U.S. Federal Law* Section 17 – *Risk Factors – Risks Relating to Other Laws and Regulations* Section 17 – *Risk Factors – Grown Rogue’s business is highly regulated and it may not be issued necessary licenses, permits, and cards* Section 17 – *Risk Factors – Licenses* Section 17 – *Risk Factors – Liability, Enforcement Complaints etc.*

US Marijuana Issuers with indirect involvement in cultivation or distribution	Response
Outline the regulations for U.S. states in which the issuer's investee(s) operate.	N/A
Provide reasonable assurance, through either positive or negative statements, that the investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Promptly disclose any non-compliance, citations or notices of violation, of which the issuer is aware, that may have an impact on the investee's licence, business activities or operations.	N/A
US Marijuana Issuers with material ancillary involvement	**Response**
Provide reasonable assurance, through either positive or negative statements, that the applicable customer's or investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	N/A

U.S. Regulatory Matters

Grown Rogue (through its subsidiaries) has direct involvement in the cultivation and distribution of marijuana in the United States. Grown Rogue and its subsidiaries are primarily involved in the U.S. marijuana industry as a seed to retail company with operations currently in Oregon (a state that has legalized recreational marijuana). Currently Grown Rogue through its subsidiaries produces recreational marijuana and distributes it to dispensaries throughout Oregon.

Producing, manufacturing, processing, possessing, distributing, selling, and using marijuana is a federal crime in the United States. The United States federal government regulates drugs through the Controlled Substances Act (the "**Federal CSA**"), which places controlled substances, including cannabis, on one of five schedules. Cannabis is currently classified as a Schedule I controlled substance, which is viewed as having a high potential for abuse and having no currently accepted medical use in treatment in the United States. No prescriptions may be written for Schedule I substances, and such substances are subject to production quotas imposed by the United States Drug Enforcement Administration (the "**DEA**"). Schedule I drugs are the most tightly restricted category of drugs under the Federal CSA.

State and territorial laws that allow the use of medical cannabis or legalize cannabis for adult recreational use are in conflict with the Federal CSA, which makes cannabis use and possession illegal at the federal level. Because cannabis is a Schedule I controlled substance, however, the development of a legal cannabis industry under the laws of these states is in conflict with the Federal CSA, which makes cannabis use and possession illegal on a national level. Additionally, the Supremacy Clause of the United States Constitution establishes that the Constitution, federal laws made pursuant to the Constitution, and treaties made under the Constitution's authority constitute the supreme law of the land. The Supremacy Clause provides that state courts are bound by the supreme law; in case of conflict between federal and state law, including Oregon and other state law legalizing certain cannabis uses, the federal law must be applied.

Until Congress amends the Federal CSA with respect to marijuana use, there is a risk that federal authorities may enforce current federal law against companies such as Grown Rogue for violation of federal law or they may seek to bring an action or actions against Grown Rogue and/or its investors for violation of federal law or otherwise, including, but not limited to, a claim against investors for aiding and abetting another's criminal activities. The US federal aiding and abetting statute provides that anyone who commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal. Additionally, even if the U.S. federal government does not prove a violation of the Federal CSA, the U.S. federal government may seize, through civil asset forfeiture proceedings, certain assets such as equipment, real estate, moneys and proceeds, or your assets as an investor in the Company, if the U.S. federal government can prove a substantial connection between these assets or your investment and marijuana distribution or cultivation.

Because many states in the United States have approved certain medical or recreational uses of cannabis, the U.S. Department of Justice, through a memorandum dated August 29, 2013 and titled "Guidance Regarding Marijuana Enforcement" (the "**Cole Memorandum**"), had previously described a set of priorities for federal prosecutors operating in states that had legalized the medical or other adult use of cannabis. The Cole Memorandum represented a significant shift in U.S. federal government priorities away from strict enforcement of federal cannabis prohibition.

However, the Cole Memorandum was merely a directive regarding enforcement and did not overturn or invalidate the Federal CSA or any other federal law or regulation.

The Cole Memorandum was rescinded in January 2018 by Jeff Sessions, the U.S. Attorney General, who deemed it "unnecessary". This is based on Mr. Sessions' belief as stated in the Cole Memorandum that each state's federal prosecutor should "follow the well-established principles that govern all federal prosecutions. These principles require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community." The rescission of the Cole Memorandum, and comments made publicly by Mr. Sessions and other members of the Trump Administration, signal a significant shift by the U.S. federal government back to more strict enforcement of federal law.

In Oregon, Billy J. Williams is the United States Attorney for the District of Oregon. He is a former Multnomah County (Oregon) Deputy District Attorney, who handled major violent crimes and later served as a Chief of the Violent Crimes Unit and as the Indian Country AUSA/Tribal Liaison for the Department of Justice prior to being appointed the federal prosecutor for Oregon.

On January 4, 2018, Mr. Williams provided the below statement on marijuana enforcement in the District of Oregon: "As noted by Attorney General Sessions, today's memo on marijuana enforcement directs all U.S. Attorneys to use the reasoned exercise of discretion when pursuing prosecutions related to marijuana crimes. We will continue working with our federal, state, local and tribal law enforcement partners to pursue shared public safety objectives, with an emphasis on stemming the overproduction of marijuana and the diversion of marijuana out of state, dismantling criminal organizations and thwarting violent crime in our communities."

In an editorial published on January 12, 2018, Mr. Williams wrote: "In sum, I have significant concerns about the state's current regulatory framework and the resources allocated to policing marijuana in Oregon."

At a meeting on February 2, 2018, Mr. Williams told Oregon's top politicians and law enforcement officials that there's more cannabis being produced in the state than can legally be consumed. "And make no mistake about it, we're going to do something," Williams told dozens of politicians, tribal leaders, sheriffs as well as representatives of the FBI and the U.S. Drug Enforcement Administration. "Here's what I know, in terms of the landscape here in Oregon: We have an identifiable and formidable marijuana over-production and diversion problem," Williams said. "That's the fact. My responsibly is to work with our state partners to do something about it."

Because marijuana is illegal under U.S. federal law, investing in cannabis business could be found to violate the Federal CSA. As a result, individuals involved with cannabis business, including but not limited to investors and lenders, may be indicted under U.S. federal law. An investment in the Company may: (a) expose an investor personally to criminal liability under U.S. federal law, resulting in monetary fines and jail time; and (b) expose any real and personal property used in connection with Grown Rogue's business to seizure and forfeiture to the U.S. federal government.

Active enforcement of the current federal law on cannabis may thus directly and adversely affect revenues and profits of Grown Rogue. The risk of strict enforcement of the Federal CSA remains uncertain.

U.S. Federal Laws Applicable to Banking

Because producing, manufacturing, processing, possessing, distributing, selling, and using marijuana is a crime under the Federal CSA, most U.S. banks and other financial institutions are unwilling to provide banking services to marijuana businesses due to concerns about criminal liability under the Federal CSA as well as concerns related to federal money laundering rules under the U.S. Bank Secrecy Act. Canadian banks are also hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses.

Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy. In both Canada and the United States transactions by cannabis businesses involving banks and other financial institutions are both difficult and unpredictable under the current legal and regulatory landscape. Though guidelines issued in past years allow financial institutions to provide bank accounts to certain cannabis businesses, few U.S. banks have taken advantage of those guidelines and many U. S. cannabis businesses still operate on an all-cash basis.

Oregon State Regulation

The Oregon Medical Marijuana Program ("**OMMP**") is a state registry program within the Public Health Division, Oregon Health Authority ("**OHA**"). The role of the OHA is to administer the Oregon Medical Marijuana Act. The OMMP allows individuals with a medical history of one or more qualifying illnesses and a doctor's written statement to apply for registration with the OMMP. Qualified applicants are issued a medical marijuana card that entitles them to legally possess and cultivate cannabis, subject to certain limitations.

On November 4, 2014, Oregon voters passed Measure 91, known as the Control, Regulation, and Taxation of Marijuana and Industrial Hemp Act (the "**Act**"), effectively ending the state's prohibition of recreational marijuana and legalizing the possession, use, and cultivation of marijuana within legal limits by adults 21 years and older. The Act did not amend or effect the Oregon Medical Marijuana Act and the OMMP. The Act empowered the Oregon Liquor Control Commission ("**OLCC**") with regulating sales of recreational marijuana in Oregon.

Under current Oregon law, possession and home cultivation by adults at least 21 years old is allowed within legal limits. Public sales of marijuana and marijuana products may be done only through licensed retailers. The OLCC has the authority to decide how many licenses to allow in a specific area or location and may refuse granting a license if there are reasonable grounds to believe there are sufficient licenses in the area or if the granting of a license is not demanded by public interest or convenience. The OLCC may disqualify applicants for a number of reasons, including for lacking a good moral character, for lacking sufficient financial resources or responsibility, for relevant past convictions, and for using marijuana, alcohol, or drugs "to excess."

Grown Rogue has a comprehensive compliance program administered through its Director of Compliance, which tracks all aspects of operations through the METRC program (an online software tool mandated through the State of Oregon that tracks seed to retail purchases), as well as compliance with all state and federal employment and other safety regulations.

Grown Rogue is periodically advised by various outside attorneys about the requirements for compliance with Oregon law.

Grown Rogue is in compliance with Oregon state law and its related licensing framework.

California State Regulation

As part of its business plan, Grown Rogue intends to enter the California market..

In 1996, California voters passed a medical marijuana law allowing physicians to recommend cannabis for an inclusive set of qualifying conditions including chronic pain. The law established a not-for-profit patient/caregiver system but there was no state licensing authority to oversee the businesses that emerged as a result of the system. In September of 2015, the California legislature passed three bills, collectively known as the "Medical Marijuana Regulation and Safety Act" ("**MCRSA**"). In 2016, California voters passed "The Adult Use of Marijuana Act" ("**AUMA**"), which legalized adult-use cannabis for adults 21 years of age and older and created a licensing system for commercial cannabis businesses. On June 27, 2017, Governor Brown signed SB-94 into law. SB-94 combines California's medicinal and adult-use cannabis regulatory frameworks into one licensing structure under the Medicinal and Adult-Use of Cannabis Regulation and Safety Act ("**MAUCRSA**").

Pursuant to MAUCRSA: (1) the California Department of Food and Agriculture, via CalCannabis, issues licenses to cannabis cultivators: (2) the California Department of Public Health, via the Manufactured Cannabis Safety Branch (the "**MCSB**"), issues licenses to cannabis manufacturers and (3) the California Department of Consumer Affairs, via the Bureau of Cannabis Control (the "**BCC**"), issues licenses to cannabis distributors, testing laboratories, retailers, and micro-businesses. These agencies also oversee the various aspects of implementing and maintaining California's cannabis landscape, including the statewide track and trace system.

To operate legally under state law, cannabis operators must obtain a state license and local approval. Local authorization is a prerequisite to obtaining state licensure, and local governments are permitted to prohibit or otherwise regulate the types and number of cannabis businesses allowed in their locality. The state license approval process is not competitive and there is no limit on the number of state licenses an entity may hold. Although vertical integration across multiple license types is allowed under MAUCRSA, testing laboratory licensees may not hold any other licenses aside from a laboratory license. There are also no residency requirements for ownership under MAUCRSA.

California has implemented a robust regulatory system designed to ensure, monitor, and enforce compliance with all aspects of a cannabis operator's licensed operations. Compliance with local law is a prerequisite to obtaining and maintaining state licensure, and all three state regulatory agencies require confirmation from the locality that the operator is operating in compliance with local requirements and was granted authorization to continue or commence commercial cannabis operations within the locality's jurisdiction.

License types are designated into two classes: Type M (medical) or Type A (adult use). There are 20 types of licenses, and a single entity may possess both Type M and Type A licenses, across six different categories:

- Cultivation Facility: license to cultivate, process and package cannabis; and to sell cannabis to cannabis distributors, but not to consumers.
- Distributor: license to purchase cannabis from cultivators, manufacturers and other distributors; to store cannabis; to have cannabis tested by a testing facility; to sell cannabis to other distributors and to retailers; and to transport cannabis from a cannabis licensee's premises to another cannabis licensee's premises.

- Product Manufacturing Facility: license to purchase cannabis from distributors; to manufacture, process, and package cannabis and cannabis products; and to sell cannabis and cannabis products to distributors but not to consumers. Pursuant to this category, cannabis products include edibles, ointments, tinctures, oils and other concentrates.
- Testing Laboratory: license to test cannabis and cannabis products for potency and contaminants.
- Retailer: license to purchase cannabis and cannabis products from distributors, as well as to sell cannabis and cannabis products directly to consumers.
- Microbusiness: license to cultivate cannabis on an area less than 10,000 square feet; to purchase cannabis from cultivators, manufacturers and distributors; to store cannabis; to have cannabis tested by a testing facility; to sell cannabis to retailers and distributors; to transport cannabis from one cannabis licensee's premises to another; to manufacture, process and package cannabis and cannabis products; and to sell cannabis and cannabis products directly to consumers.

The MAUCRSA permits vertical integration by licensees to hold licenses in more than two separate licensing categories. Licensees must conduct their commercial cannabis activity within a single-premises, which must be contiguous. Although multiple premises are allowed on a given parcel, each premises must be sufficiently separate from any other premises, i.e., having separate entrances and exits and no shared common areas. Importantly, licensees may not sublet any portion of their licensed premises, and therefore, a licensee cannot lease a multi-unit building and sublease one of the units to an affiliated licensee.

Only businesses engaged in "commercial cannabis activity" are required to have a license – ancillary services, technology, and know-how are not included unless their interests in the licensee amount to "ownership" or a "financial interest."

Under MAUCRSA, an "owner" no longer distinguishes between public and private companies. An owner is: (1) anyone with an aggregate ownership interest of 20% or more in the applicant, unless the interest is solely a security, lien, or encumbrance, (2) the chief executive officer of a non-profit or other entity, (3) a member of the board of directors for a non-profit, or (4) an individual participating in the direction, control, or management of the applicant. Each owner of the entity applying for a cannabis license is required to submit fingerprint images and background checks. Such fingerprinting requirement extends to shareholders holding 5% or more of the equity of the applicant's public company owner.

Under California state law, all state licensed cannabis businesses are entitled to rely on certain transition provisions until December 6, 2018. These provisions were included to ease the transition of businesses into the new regulatory regime introduced on January 1, 2018 in California. The transition provisions grandfathered the sale of certain products compliantly produced prior to January 1, 2018, and, among other things, also allow state licensees to transact with other state licensees regardless of the parties' Type M (medical) or Type A (adult use) license.

Retail cannabis businesses must pay tax on gross receipts (i.e., all revenues in whatever form and before any deductions whatsoever). A cannabis tax return is required whether or not taxes are owed during the month. Failure to submit timely tax returns and payments result in a penalty equal to 25% of the amount of the tax in addition to the amount of the tax, plus interest on the unpaid tax calculated from the original due date.

Zoning and Land Use Requirements

Applicants are required to comply with all local zoning and land use requirements and provide written authorization from the property owner where the commercial cannabis operations are proposed to take place, which must dictate that the applicant has the property owner's authorization to engage in the specific state-sanctioned commercial cannabis activities proposed to occur on the premises.

Record-Keeping and Continuous Reporting Requirements

California's state license application process additionally requires comprehensive criminal history, regulatory history, financial and personal disclosures, coupled with stringent monitoring and continuous reporting requirements designed to ensure only good actors are granted licenses and that licensees continue to operate in compliance with the State regulatory program.

Operating Procedure Requirements

Applicants must submit standard operating procedures describing how the operator will, among other requirements, secure the facility, manage inventory, comply with the State's seed-to-sale tracking requirements, dispense cannabis, and handle waste, as applicable to the license sought. Once the standard operating procedures are determined compliant and approved by the applicable state regulatory agency, the licensee is required to abide by the processes described and seek regulatory agency approval before any changes to such procedures may be made. Licensees are additionally required to train their employees on compliant operations and are only permitted to transact with other legal and licensed businesses.

Site-Visits & Inspections

All licencees will not be able to obtain or maintain state licensure, and thus engage in commercial cannabis activities in the state of California without satisfying and maintaining compliance with state and local law. As a condition of state licensure, operators must consent to random and unannounced inspections of the commercial cannabis facility as well as all of the facility's books and records to monitor and enforce compliance with state law. Many localities have also enacted similar standards for inspections, and the state has already commenced site-visits and compliance inspections for operators who have received state temporary or annual licensure.

Michigan State Regulation

As part of its business plan, Grown Rogue intends to enter the Michigan state market.

In November 2008, Michigan residents approved the Michigan Medical Marihuana Act20 (the "MMMA") to provide a legal framework for a safe and effective medical marijuana program. In September 2016, the Michigan Senate passed the Medical Marihuana Facilities Licensing Act21 (the "MMFLA") and the Marihuana Tracking Act (the "MTA" and together with the MMMA and the MMFLA, the "Michigan Cannabis Regulations") to provide a comprehensive licensing and tracking scheme, respectively, for the medical marijuana program. Additionally, the Michigan Department of Licensing and Regulatory Affairs and its licensing board ("LARA") has supplemented the Michigan Cannabis Regulations with "Emergency Rules" to further clarify the regulatory landscape surrounding the medical marijuana program. LARA is the main regulatory authority for the licensing of marijuana businesses.

Under the MMFLA, LARA administrates five types of "state operating licenses" for medical marijuana businesses: (a) a "grower" license, (b) a "processor" license, (c) a "secure transporter" license, (d) a "provisioning center" license and (e) a "safety compliance facility" license. There are no stated limits on the number of licenses that can be made available on a state level; however, LARA has discretion over the approval of applications and municipalities can pass additional restrictions.

On November 6, 2018, Michigan voters approved Proposal 1, to make marihuana legal under state and local law for adults 21 years of age or older and to control the commercial production and distribution of marihuana under a system that licenses, regulates, and taxes the businesses involved. The act will be known as the Michigan Regulation and Taxation of Marihuana Act24. According to Proposal 1, LARA is required to start accepting applications for retail (recreational) dispensaries within 12 months of the measure's effective date.

Michigan License

State operating licenses for marijuana businesses have a 1 year term and are annually renewable if certain conditions are met: (a) the renewal application is submitted prior to the date the license expires, or within sixty (60) days of expiration if all other conditions are met and a late fee is paid, (b) the licensee pays the regulatory assessment fee set by LARA and (c) the licensee continues to meet the requirements to be a licensee under the Michigan Cannabis Regulations. Each renewal application is reviewed by LARA, but there is no guarantee of a timely renewal. There is no ultimate expiry after which no renewals are permitted.

Michigan Regulations

Michigan Marijuana Products may be purchased in a retail setting from a provisioning center by a registered qualified patient or registered primary caregivers connected to a registered qualifying patient ("Michigan Qualified Purchaser"); in each case, Michigan Qualified Purchasers must present a valid registry identification card issued by LARA (a "Michigan Registry ID"). For a Michigan Qualified Purchaser to receive Michigan Marijuana Products, provision centers must deploy an inventory control and tracking system that is capable of interfacing with the statewide monitoring system to determine (a) whether a Michigan Qualified Purchaser holds a Michigan Registry ID and (b) whether the sale or transfer will exceed the then-current daily and monthly purchasing limit for the holder of the Michigan Registry ID.

In order to receive a Michigan Registry ID, an applicant must provide: a completed application dated within one year of submission, a written certification from a physician with a bona-fide physician-patient relationship to the underlying patient, the application or renewal fee, contact information for the patient, caregiver (if applicable) and physician, as well as proof of Michigan residency.

For registered qualifying patients, the daily purchasing limit is 2.5 ounces, and for registered primary caregivers, the daily purchasing limit is 2.5 ounces per underlying registered qualifying patient that the registered primary caregiver is connected with through the registration process. Finally, the licensee shall verify in the statewide monitoring system that the sale or transfer does not exceed the monthly purchasing limit of ten (10) ounces of marihuana product per month to a qualifying patient, either directly or through the qualifying patient's registered primary caregiver.

Allowable forms of medical marihuana includes smokable dried flower, dried flower for vaporizing and marihuanainfused products, which are defined under the Act to include topical formulations, tinctures, beverages, edible substances or similar products containing usable marijuana that is intended for human consumption in a matter other than smoke inhalation. Under the Michigan Cannabis Regulations, marijuana-infused products shall not be considered food.

Qualifying conditions for the medical marijuana program in Michigan are the following:

- Cancer, glaucoma, positive status for human immunodeficiency virus, acquired immune deficiency syndrome, hepatitis C, amyotrophic lateral sclerosis, Crohn's disease, agitation of Alzheimer's disease, nail patella or the treatment of these conditions;
- A chronic or debilitating disease or medical condition or its treatment that produces 1 or more of the following: cachexia or wasting syndrome; severe and chronic pain; severe nausea; seizures, including but not limited to those characteristic of epilepsy; or severe and persistent muscle spasms, including but not limited to those characteristic of multiple sclerosis;
- Post-Traumatic Stress Disorder (PTSD); and/or
- Any other medical condition or its treatment approved by the department under the Michigan Cannabis Regulations.

***Reporting** Requirements*

Pursuant to the requirements of the MTA, Michigan selected Franwell's METRC software as the state's third-party solution for integrated marijuana industry verification. Using METRC, regulators are able to track third party inventory, permissible sales and seed-to-sale information. Additionally, provisioning centers can use the METRC API to connect their own inventory management and/or point-of-sale systems to verify the identity as well as permissible sales for Michigan Qualified Purchasers.

Storage and Security

To ensure the safety and security of cannabis business premises and to maintain adequate controls against the diversion, theft, and loss of cannabis or cannabis products, a provisioning center is required to:

Maintain and submit a security operations plan that includes the following at a minimum:

- Escorts for all non-employee personnel in limited access areas.
- Secure locks for all interior rooms, windows and points of entry and exits with commercial grade, nonresidential door locks.
- An alarm system. Licensees will make all information related to the alarm system including monitoring and alarm activity available to LARA.
- A video surveillance system that, at a minimum, consists of digital or network video recorders, cameras, video monitors, digital archiving devices and a color printer capable of delivering still photos.
- 24-hour surveillance footage with fixed, mounted cameras, tamper/theft proof secured storage mediums and a notification system for interruption or failure of surveillance footage or storage of surveillance footage. All surveillance footage must be of sufficient resolution to identify individuals, have accurate time/date stamps and be stored for a minimum of 14 days unless state regulators notify that such recordings may be destroyed.
- State access to view and obtain copies of any surveillance footage through LARA or related investigators, agents, auditors and/or state police. A facility shall also provide copies of recordings to LARA upon request.

- Logs of the following: the identities of the employee or employees responsible for monitoring the video surveillance system, the identity of the employee who removed the recording from the video surveillance system storage device and the time and date removed and the identity of the employee who destroyed any recording.

Maintain marijuana storage plan for provisioning centers that includes the following at a minimum:

- A secured limited access area for inventories of Michigan Marijuana Products.
- Clearly labeled containers (a) marked, labeled or tagged, (b) enclosed on all sides and (c) latched or locked to keep all contents secured within. All such containers must be identified and tracked in accordance with the MTA.
- A locked area for chemical and solvents separate from Michigan Marijuana Products.
- Separation of marijuana-infused products from toxic or flammable materials.
- A sales or transfer counter or barrier separated from stock rooms to ensure registered qualifying patients or registered primary caregivers do not have direct access to Michigan Marijuana Products.

There are significant risks associated with the business of the Company, as described above and in Section 17 – *Risk Factors* of the Company's Listing Statement as filed on www.sedar.com. Readers are strongly encouraged to carefully read all of the risk factors contained in Section 17 – *Risk Factors* of the Company's Listing Statement.

Internal Control over Financial Reporting and Disclosure Controls

Management, including the President and Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**"), is responsible for designing, establishing, and maintaining a system of internal controls over financial reporting ("**ICFR**") to provide reasonable assurance that all information prepared by the Company for external purposes is reliable and timely. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with IFRS.

The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately reflect the transactions of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's consolidated Financial Statements. Due to its inherent limitations, internal control over financial reporting and disclosure may not prevent or detect all misstatements.

The CEO and CFO have evaluated whether there were changes to the ICFR during the year ended October 31, 2018 that have materially affected, or are reasonably likely to materially affect, the ICFR. As a result, no such significant changes were identified through their evaluation.

There have been no material changes in the Company's internal control over financial reporting during the period ended January 31, 2019 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.