NOTICE TO READER

Grown Rogue International Inc. (the "Company") is hereby filing these amended and restated unaudited condensed interim consolidated financial statements for the three months ended January 31, 2021 and 2020, as the Company has determined restatements are required as part of a review of its condensed interim consolidated financial statements. Please refer to Note 2 for the restatement details.

In connection with the filing of these amended and restated unaudited condensed interim consolidated financial statements, the Company is also filing (i) amended and restated management discussion and analysis in compliance with the requirements of National Instrument 51-102 *Continuous Disclosure Obligations*, and (ii) CEO and CFO certifications in compliance with National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*.

Toronto, Ontario
April 16, 2021

GROWN ROGUE INTERNATIONAL INC.

Amended and Restated Condensed Interim Consolidated Financial Statements
(Unaudited)
For the Three Months ended January 31, 2021 and 2020
Expressed in United States Dollars

Grown Rogue International Inc.

Amended and Restated Condensed Interim Consolidated Statements of Financial Position

Unaudited - Expressed in United States Dollars

		January 31, 2021 Restated – Note 2		October 31, 2020
ASSETS				
Current assets				
Cash	$	1,278,401	$	217,788
Accounts receivable (Note 19)		238,987		172,121
Biological assets (Note 4)		220,981		250,690
Inventory (Note 5)		970,934		1,124,360
Prepaid expenses and other assets		79,060		69,816
Total current assets	**$**	**2,788,363**	**$**	**1,834,775**
Marketable securities (Note 6)		914,970		585,035
Other investment (Note 7)		189,915		187,812
Right-of-use assets (Note 9)		788,168		50,468
Property and equipment (Note 10)		1,023,673		1,101,331
Intangible assets		-		4,997
TOTAL ASSETS	**$**	**5,705,089**	**$**	**3,764,418**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	1,275,456	$	1,059,971
Current portion of lease liabilities (Note 9)		183,746		100,277
Current portion of long-term debt (Note 11)		329,166		46,099
Interest payable (Note 11)		12,155		9,367
Convertible debentures (Note 12)		1,899,080		-
Derivative liabilities (Note 12.1)		930,195		583,390
Unearned revenue		84,600		-
Total current liabilities	**$**	**4,714,398**	**$**	**1,799,104**
Accrued liabilities (Note 8)		389,816		389,816
Lease liabilities (Note 9)		651,809		16,630
Long-term debt (Note 11)		1,050,588		753,715
Convertible debentures (Note 12)		-		1,739,678
Redemption liabilities (Note 23.3)		375,000		-
Deferred rent		-		10,494
TOTAL LIABILITIES	**$**	**7,181,611**	**$**	**4,709,437**
EQUITY				
Share capital (Note 13)	$	14,629,885	$	14,424,341
Shares issuable (Note 13)		88,963		-
Subscriptions payable (Note 13)		125,000		-
Contributed surplus (Notes 14, 15)		3,735,253		4,070,264
Accumulated other comprehensive income (loss)		(88,131)		(12,197)
Accumulated deficit		(20,314,005)		(19,394,044)
Equity attributable to shareholders	$	(1,823,035)	$	(911,636)
Non-controlling interest (Notes 23)		346,513		(33,383)
TOTAL EQUITY	**$**	**(1,476,522)**	**$**	**(945,019)**
TOTAL LIABILITIES AND EQUITY	**$**	**5,705,089**	**$**	**3,764,418**

Going Concern (Note 2)
Subsequent Events (Note 24)

Approved on behalf of the Board of Directors:

Signed "*J. Obie Strickler*", Director   Signed "*Stephen Gledhill*", Director

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Grown Rogue International Inc.

Amended and Restated Condensed Interim Consolidated Statements of Comprehensive Loss

Unaudited - Expressed in United States Dollars

	Three months ended January 31, 2021 Restated – Note 2		2020
Revenue				
Product sales	**$**	874,824	**$**	1,106,296
Service revenue (Note 7)		176,361		-
Total revenue	**$**	**1,051,185**	**$**	**1,106,296**
Cost of goods sold				
Cost of finished cannabis inventory sold (Note 5)	$	(470,554)	$	(521,680)
Costs of service revenues (Note 7)		(84,153)		-
Gross profit, excluding fair value items	**$**	**496,478**	**$**	**584,616**
Realized fair value amounts in inventory sold		(169,328)		(632,630)
Unrealized fair value gain (loss) on growth of biological assets (Note 4)		(186,806)		701,559
Gross profit	**$**	**140,344**	**$**	**653,545**
Expenses				
Accretion expense	$	248,357	$	68,210
Amortization of intangible assets		4,997		7,659
Amortization of property and equipment (Note 10)		29,967		49,677
Amortization of right-of-use assets (Note 9)		8,188		35,822
General and administrative (Note 20)		666,739		670,768
Share-based compensation		88,438		-
Total expenses	**$**	**1,046,686**	**$**	**832,136**
Loss from operations	**$**	**(906,342)**	**$**	**(178,591)**
Other income and (expense)				
Interest expense	$	(8,527)	$	(90,514)
Other income		-		15,000
Gain on debt settlement		16,623		-
Unrealized gain on marketable securities (Note 6)		302,808		-
Unrealized loss on derivative liability (Note 12.1)		(319,627)		-
Gain on disposal of property and equipment		-		20,918
Net loss	**$**	**(915,065)**	**$**	**(233,187)**
Other comprehensive income (items that may be subsequently reclassified to profit & loss)				
Currency translation		(75,934)		(16,575)
Total comprehensive loss	**$**	**(990,999)**	**$**	**(249,762)**
Loss per share attributable to owners of the parent - basic & diluted	$	(0.01)		(0.00)
Weighted average shares outstanding - basic & diluted		108,038,431		72,562,742
Net loss for the period attributable to:				
Non-controlling interest	$	4,896	$	(16,145)
Shareholders		(919,961)		(217,042)
Net loss	$	(915,065)	$	(233,187)
Comprehensive loss for the period attributable to:				
Non-controlling interest	$	4,896	$	(16,145)
Shareholders		(995,895)		(233,617)
Total comprehensive loss	$	(990,999)	$	(249,762)

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Grown Rogue International Inc.

Amended and Restated Condensed Interim Consolidated Statements of Changes in Shareholders' Deficit

Unaudited - Expressed in United States Dollars

	Number of common shares	Share capital	Shares issuable	Subscriptions payable	Contributed surplus	Currency translation reserve	Accumulated deficit	Non-controlling interests	Total equity
Balance at October 31, 2020	107,782,397	$14,424,341	$ -	$ -	$4,070,264	$(12,197)	$(19,394,044)	$(33,383)	(945,019)
Shares issued for employment & consulting services (Note 13.1)	18,044	3,441	3,753	-	-	-	-	-	7,194
Shares issued pursuant to private placement (Note 13.2)	2,031,784	200,000	-	-	-	-	-	-	200,000
Shares issued to extend payment due date (Notes 7.2, Note 13.3)	25,000	2,103	-	-	-	-	-	-	2,103
Shares issuable pursuant to partner creditor (Note 13.4)	-	-	36,310	-	-	-	-	-	36,310
Shares issuable for services (Note 13.5)	-	-	48,900	-	-	-	-	-	48,900
Proceeds received prior to close of private placement (Note 13.2)	-	-	-	125,000	-	-	-	-	125,000
Issuance of non-controlling interest in subsidiary for cash (Note 23.3)	-	-	-	-	(375,000)	-	-	375,000	-
Stock option vesting expense	-	-	-	-	39,989	-	-	-	39,989
Currency translation adjustment	-	-	-	-	-	(75,934)	-	-	(75,934)
Net loss	-	-	-	-	-	-	(919,961)	4,896	(915,065)
Balance at January 31, 2021	109,857,225	$14,629,885	$88,963	$125,000	$3,735,253	$(88,131)	$(20,314,005)	$346,513	$(1,476,522)

	Number of common shares	Share capital	Shares issuable	Subscriptions payable	Contributed surplus	Currency translation reserve	Accumulated deficit	Non-controlling interests	Total equity
Balance at October 31, 2019	71,653,598	$12,647,930	$ -	$5,136	$2,890,435	$121,920	$(17,112,605)	$19,538	$(1,427,646)
Common shares issued for services (Note 13.6)	1,058,750	71,910	-	-	-	-	-	-	71,910
Currency translation adjustment	-	-	-	-	-	(16,575)	-	-	(16,575)
Net loss	-	-	-	-	-	-	(217,042)	(16,145)	(233,187)
Balance at January 31, 2020	72,712,348	$12,719,840	$ -	$5,136	$2,890,435	$105,345	$(17,329,647)	$3,393	$(1,605,498)

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Grown Rogue International Inc.

Amended and Restated Condensed Interim Consolidated Cash Flow Statements

Unaudited - Expressed in United States Dollars

		Three months ended January 31,		
Cash provided by (used in)		**2021 Restated – Note 2**		**2020**
Operating activities				
Net loss	**$**	(915,065)	**$**	(233,187)
Adjustments for non-cash items in net loss				
Amortization of property and equipment		29,967		49,677
Amortization of right-of-use assets		8,188		35,822
Amortization of intangible assets		4,997		7,659
Unrealized loss (gain) on changes in fair value of biological assets		186,806		(701,559)
Share-based compensation		88,963		18,375
Stock option expense		43,485		-
Accretion expense		248,357		68,210
Gain on disposal of property & equipment		-		(20,918)
Interest on lease liabilities		-		13,003
Unrealized gain on marketable securities		(302,808)		-
Loss on fair value of derivative liability		319,627		-
Effects of foreign exchange		(828)		(9,016)
	$	(288,311)	$	(771,934)
Changes in non-cash working capital (Note 16)		411,716		922,318
Net cash provided by operating activities	$	123,405	$	150,384
Investing activities				
Purchase of property and equipment	$	(159,016)	$	(4,528)
Net cash used in investing activities	$	(159,016)	$	(4,528)
Financing activities				
Third party investment in subsidiary	$	375,000	$	-
Proceeds from long-term debt		525,000		15,000
Repayment of long-term debt		(62,197)		(34,911)
Proceeds of subscription receipts		125,000		-
Payments of lease principal		(66,579)		(67,225)
Proceeds from private placement		200,000		-
Net cash provided by financing activities	$	1,096,224	$	(87,136)
Change in cash	**$**	**1,060,613**	**$**	**58,720**
Cash balance, beginning	$	217,788	$	74,926
Cash balance, ending	**$**	**1,278,401**	**$**	**133,646**

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Unaudited - Expressed in United States Dollars, unless otherwise indicated

1. CORPORATE INFORMATION

These unaudited condensed interim consolidated financial statements for the three months ended January 31, 2021 and 2020 (the "Financial Statements"), include the accounts of Grown Rogue International, Inc. (together with its subsidiaries, "GRIN" or the "Company") and its subsidiaries. The registered office of GRIN is located at 340 Richmond Street West, Toronto, Ontario, M5V 1X2.

GRIN's subsidiaries and ownership thereof are summarized in the table below.

Company	Ownership
Grown Rogue Unlimited, LLC	100% by GRIN
Grown Rogue Gardens, LLC	100% by Grown Rogue Unlimited, LLC
GRU Properties, LLC	100% by Grown Rogue Unlimited, LLC
GRIP, LLC	100% by Grown Rogue Unlimited, LLC
GR Michigan, LLC	87% by Grown Rogue Unlimited, LLC
Grown Rogue Distribution, LLC	91.4% by Grown Rogue Unlimited, LLC
Idalia, LLC	60% by Grown Rogue Unlimited, LLC

GRIN is primarily engaged in the business of growing and selling cannabis products. The primary cannabis product produced and sold is cannabis flower.

2. BASIS OF PRESENTATION

Statement of Compliance and Going Concern

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") IAS 34 - Interim Financial Reporting, applicable to a going concern, which contemplates the realization of assets and liabilities in the normal course of business as they become due.

The Company's ability to continue as a going concern is dependent upon, but not limited to, its ability to raise financing necessary to discharge its liabilities as they become due and generate positive cash flows from operations. For the three months ended January 31, 2021, the Company incurred a net loss of approximately $915,000, and as of that date, the Company's accumulated deficit was approximately $20.3 million, and its working capital deficit was approximately $1.9 million. These conditions have resulted in material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern and to meet its obligations will be dependent upon successful sales of product and generating positive cash flows from operations as well as obtaining suitable financing. The accompanying Financial Statements do not reflect any adjustment that might result from the outcome of this uncertainty. If the going concern assumption is not used, then the adjustments required to report the Company's assets and liabilities at liquidation values could be material to these Financial Statements.

These Financial Statements do not include all disclosures required by IFRS for annual audited consolidated financial statements and accordingly should be read in conjunction with our annual consolidated financial statements for the year ended October 31, 2020. These unaudited condensed interim financial statements were authorized for issuance by the Board of Directors on April 16, 2021 ("Financial Statement Date").

Basis of Measurement

These Financial Statements have been prepared on a historical cost basis except for certain financial instruments and biological assets, which are measured at fair value, as described herein.

Functional and Presentation Currency

The Company's functional currency is the Canadian dollar and the functional currency of its subsidiaries is the United States ("U.S.") dollar. These Financial Statements are presented in U.S. dollars.

Transactions denominated in foreign currencies are initially recorded in the functional currency using exchange rates in effect at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using exchange rates prevailing at the end of the reporting period. All exchange gains and losses are included in the statements of loss and comprehensive loss.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company are expressed in U.S. Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive loss and reported as currency translation reserve in shareholders' equity.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which, in substance, is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive loss.

Basis of Consolidation

The subsidiaries are those companies controlled by the Company, as the Company is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries by way of its ownership and rights pertaining to the subsidiaries. The financial statements of subsidiaries are included in these Financial Statements from the date that control commences until the date control ceases. All intercompany balances and transactions have been eliminated upon consolidation.

Restatement of Previously Reported Consolidated Financial Statements

The Company has restated its consolidated statement of financial position as at January 31, 2021; its consolidated statement of loss and comprehensive loss, consolidated statement of cash flows, and consolidated statement of changes in equity for the three months ended January 31, 2021.

As part of a review of its condensed interim consolidated financial statements, the Company determined the following restatements.

Unaudited - Expressed in United States Dollars, unless otherwise indicated

- Adjusted costs capitalized into biological assets and inventory, and related cost of finished cannabis inventory sold, realized fair value amounts included in inventory sold, and unrealized fair value loss on growth of biological assets;
    - Expenses capitalized to biological assets and inventory included amortization of property and equipment, amortization of right-of-use assets, and overhead costs (reported in general and administrative costs); and

- Reduction to the remeasurement of right-of-use assets and lease liabilities resulting from a correction to the amount of the future lease payments.

As a result of the restatements, the Company's reported gross profit decreased by $139,846, to a gross profit of $140,344; and the Company's reported net loss decreased by $80,724, to a net loss of $915,065.

Line items restated on the amended and restated consolidated statements of financial position are presented in the table below.

As at January 31, 2021	**As previously reported ($)**	**Adjustment**	**As restated ($)**
Biological assets (Note 4)	216,191	4,790	220,981
Inventory (Note 5)	896,078	74,856	970,934
Total current assets	2,708,717	79,646	2,788,363
Right-of-use assets (Note 9)	867,928	(79,760)	788,168
Total assets	**5,705,203**	**(114)**	**5,705,089**
Current portion of lease liabilities (Note 9)	175,662	8,084	183,746
Total current liabilities	4,706,314	8,084	4,714,398
Lease liabilities (Note 9)	740,731	(88,922)	651,809
Total liabilities	**7,262,449**	**(80,838)**	**7,181,611**
Accumulated deficit	(20,394,729)	80,724	(20,314,005)
Total equity	**(1,557,246)**	**80,724**	**(1,476,522)**

Unaudited - Expressed in United States Dollars, unless otherwise indicated

Line items restated on the amended and restated consolidated statements of loss and comprehensive loss are presented in the table below.

Three months ended January 31, 2021	As previously reported ($)	Adjustment	As restated ($)
Cost of finished cannabis inventory sold (Note 5)	388,933	81,621	470,554
Gross profit, excluding fair value items	**578,099**	**(81,621)**	**496,478**
Realized fair value amounts in inventory sold	173,598	(4,270)	169,328
Unrealized fair value gain (loss) on growth of biological assets (Note 4)	124,311	62,495	186,806
Gross profit	**280,190**	**(139,846)**	**140,344**
Amortization of property and equipment (Note 10)	124,381	(94,414)	29,967
Amortization of right-of-use assets (Note 9)	48,605	(40,417)	8,188
General and administrative (Note 20)	752,478	(85,739)	666,739
Total expenses after gross profit	**1,267,256**	**(220,570)**	**1,046,686**
Loss from operations	**(987,066)**	**80,724**	**(906,342)**
Net loss	**995,789**	**(80,724)**	**915,065**
Net loss attributable to:			
Shareholders	(1,000,685)	80,724	(919,961)
Total comprehensive loss	**(1,071,723)**	**80,724**	**(990,999)**
Total comprehensive loss attributable to:			
Shareholders	(1,076,619)	80,724	(995,895)

Estimation Uncertainty due to COVID-19

On March 11, 2020, the World Health Organization declared a global outbreak of COVID-19 (coronavirus) to be a pandemic, which has had a significant impact on businesses through the restrictions put in place by the federal, state, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders in Canada and the United States. Government measures imposed to limit the spread of COVID-19 did not have a material impact on the Company's operations during the three months ended January 31, 2021, and the Company has not observed any material impairments, or significant changes in the fair value of its assets as a result of COVID-19.

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada, the United States and other countries to fight the virus. While the extent of the impact is unknown, it remains possible that this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Company's business, results of operations and financial condition. The Company will continue to evaluate the situation with respect to the COVID-19 pandemic as it develops and will implement any such changes to its business as may deemed appropriate to mitigate any potential impacts to its business.

Unaudited - Expressed in United States Dollars, unless otherwise indicated

3. SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT JUDGEMENTS

The preparation of these Financial Statements requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets, liabilities, and expenses. Areas that have the most significant effect on the amounts recognized in the financial statements are disclosed in Note 4 of the Company's consolidated financial statements for the year ended October 31, 2020. The accounting policies applied in these Financial Statements are consistent with those used in the Company's consolidated financial statements for the year ended October 31, 2020.

4. BIOLOGICAL ASSETS

Biological assets consist of cannabis plants, which reflect measurement a fair value less costs to sell ("FVLCTS"). Changes in the carrying amounts of biological assets for the three months ended January 31, 2021 are as follows:

		January 31, 2021		October 31, 2020
Beginning balance	$	250,690	$	156,589
Purchased cannabis plants		185,059		724,878
Allocation of operational overhead		243,194		1,130,712
Change in FVLCTS due to biological transformation		(186,806)		1,515,492
Transferred to inventory upon harvest		(271,156)		(3,276,981)
Ending balance	**$**	**220,981**	**$**	**250,690**

FVLCTS is determined using a model which estimates the expected harvest yield for plants currently being cultivated, and then adjusts that amount for the expected selling price and also for any additional costs to be incurred, such as post-harvest costs.

The following significant unobservable inputs, all of which are classified as level 3 on the fair value hierarchy, were used by management as part of this model:

- Expected costs required to grow the cannabis up to the point of harvest
- Estimated selling price per pound
- Expected yield from the cannabis plants
- Estimated stage of growth – The Company applied a weighted average number of days out of the 60-day growing cycle that biological assets have reached as of the measurement date based on historical evidence. The Company assigns fair value according to the stage of growth and estimated costs to complete cultivation.

Unaudited - Expressed in United States Dollars, unless otherwise indicated

			Impact of 20% change	
	January 31, 2021	October 31, 2020	January 31, 2021	October 31, 2020
Estimated selling price per (pound)	$ 1,100	$1,123	$25,658	$ 57,879
Estimated stage of growth	38%	71%	$21,902	$ 46,209
Estimated flower yield per harvest (pound)	307	216	$21,902	$ 46,209

5. INVENTORY

The Company's inventory composition is as follows:

		January 31, 2021		October 31, 2020
Raw materials	$	9,868	$	8,588
Work in process		736,476		919,464
Finished goods		224,590		196,308
Ending balance	**$**	**970,934**	**$**	**1,124,360**

The cost of inventories included as an expense and included in cost of goods sold for the three months ended January 31, 2021, was $470,554 (2020 - $521,680). For the three months ended January 31, 2021, $159,545 in property and equipment amortization costs were included in cost of finished cannabis inventory sold (2020 – $45,397).

6. MARKETABLE SECURITIES

During the year ended October 31, 2020, the Company received 2,362,204 common shares of Plant-Based Investment Corp ("PBIC") by issuing to PBIC 15,000,000 common shares of the Company pursuant to a subscription agreement. On the date of the transaction, February 10, 2020, the fair value of PBIC shares per share was CAD$0.635 per share, resulting in a fair value of $848,011. The Company does not have control or significant influence over PBIC and has accounted for the investment at fair value through profit or loss.

As at January 31, 2021, the fair value of the shares was $914,970 (October 31, 2020 - $585,035), based upon the publicly quoted price of PBIC shares. The Company recorded an unrealized gain on the shares in the amount of $302,808 (2020 - $Nil) and foreign currency translation gain of $27,127 during three months ended January 31, 2021 (2020 - $Nil).

Unaudited - Expressed in United States Dollars, unless otherwise indicated

7. OTHER INVESTMENT

On February 6, 2020, the Company entered into a definitive agreement for an option to acquire a 60% controlling interest (the "Option") of a fully-licensed Michigan based operator, Golden Harvests, LLC ("Golden Harvests"). In addition to the payments described below, the Company must receive certain regulatory approvals in order to exercise the Option. Subsequent to January 31, 2021, the Option was terminated, and a materially similar new option agreement was signed between Canopy Management LLC ("Canopy") and Golden Harvests (the "New Option"). Under the Option, the Company agreed to pay $810,000 in cash and issue 800,000 common shares of the Company under the following schedule:

7.1 Payment of $150,000 within five days of signing the Option and the issuance of 200,000 common shares of the Company within 60 days after signing the Option (during the year ended October 31, 2020, the cash amount of $150,000 was paid and 200,000 common shares were issued with a fair value of $12,812).

7.2 Payment of $200,000 and the issuance of 200,000 common shares of the Company on the sixth-month anniversary of signing the Option. The Company paid $25,000 and issued 25,000 shares (Note 13.3) to extend this payment for six-months. Subsequent to January 31, 2021, under the New Option, a cash payment of $100,000 was made, and a 12-month note payable for $100,000 was issued to fulfill the $200,000 payment. The note payable bears interest at $2,000 per month.

7.3 Payment of $260,000 and the issuance of 200,000 common shares of the Company on the twelve-month anniversary of signing the Option. The Company could elect to extend the due date of this tranche of the purchase consideration for an additional six months by payment of $25,000 and issuance of 25,000 shares.

7.4 Payment of $200,000 and the issuance of 200,000 common shares of the Company due upon exercise of the Option, pending Municipal and State regulatory approval.

The Company has a contract to provide operations management services to Golden Harvests. Under this agreement, during the three months ended January 31, 2021, the Company earned revenues of $176,361 (2020 - $Nil) and costs for those revenues were $84,153 (2020 – $Nil).

The aggregate invested into Golden Harvests under the Option, as at January 31, 2021, included the following:

Investment		January 31, 2021		October 31, 2020
Beginning balance	$	187,812	$	-
Cash payments against the Option		-		175,000
Share payments against Option		2,103		12,812
Ending balance	**$**	**189,915**	**$**	**187,812**

Subsequent to January 31, 2021, and concurrent with the timing of the New Option, the Company obtained an option to acquire an 87% membership interest in Canopy (the "Canopy Option") from GRIN's CEO, who is the majority owner of Canopy and who has a fiduciary responsibility to the Company. Exercise of the Canopy Option will ultimately provide identical economic rights as the Company originally had from the Option. In order to exercise the Canopy Option, the Company must: (1) make payments to Canopy, described below, such that Canopy can fulfill the option payments required for Canopy to acquire Golden Harvests under the New Option, and (2) for the Company to have all licensing and other regulatory or governmental approvals from the state of Michigan necessary to operate, or to own an equity interest in an entity that operates, a cannabis business in the state of Michigan.

Unaudited - Expressed in United States Dollars, unless otherwise indicated

The Company's Canopy Option payments, made such that Canopy can complete its option payments to Golden Harvests under the New Option, are as follows:

- Payment of $260,000 and the issuance of 200,000 common shares of the Company on February 6, 2021. Canopy extended this payment to August 6, 2021, by committing to pay 200,000 shares of the Company; these shares have not been issued at the Financial Statement Date, but are expected to be issued in the normal course of business. These payments are analogous to those described at Note 7.3.

- Payment of $200,000 and the issuance of 200,000 common shares of the Company on February 6, 2021. A cash payment of $100,000 was made, and a 12-month note payable for $100,000 was issued to fulfill the $200,000 payment. The note payable bears interest at $2,000 per month. As of the Financial Statement Date, the 200,000 common shares have not been issued, but are expected to be issued in the normal course of business. These payments under the New Option are analogous to those described at Note 7.2.

- Payment of $200,000 and the issuance of 200,000 common shares of the Company due upon exercise of the New Option, pending Municipal and State regulatory approval. These payments are analogous to Note 7.4.

8. ACCRUED LIABILITIES

The following table summarizes the liability payable to creditors who agreed to defer settlement for longer than one year from October 31, 2020 and 2019:

	CEO	Trade Vendors	Total
Balance at October 31, 2019	$ 180,799	-	$ 180,799
Amounts deferred	45,000	241,255	286,255
Amounts settled	-	(77,238)	(77,238)
Balance at October 31, 2020 and January 31, 2021	**$ 225,799**	**164,017**	**$ 389,816**

9. LEASES

At January 31, 2021, The Company reported lease liabilities pertaining to five underlying liabilities, including three leases for property for growing operations and two leases for equipment.

One lease for outdoor growing property, executed with the Company's CEO, was extended during the three months ended January 31, 2021, through December 31, 2025. This lease was accordingly remeasured, resulting in an increase to the liability and right-of-use asset of $281,707.

Unaudited - Expressed in United States Dollars, unless otherwise indicated

A second lease for outdoor growing property was extended during the three months ended January 31, 2021, through December 31, 2021. This lease was accordingly remeasured, resulting in an increase to lease liabilities and right-of-use assets of $43,490.

During the three months ended January 31, 2021, management determined that it would exercise extension options on the lease for its indoor growing facility through March 31, 2027. This lease was accordingly remeasured, resulting in an increase to lease liabilities and right-of-use assets of $460,030.

Two leases used to purchase property and equipment purchases comprise $49,393 of total lease liabilities at January 31, 2021 (October 31, 2020 - $66,338). Of the January 31, 2021 balance, $42,565 is current and 6,828 is non-current (October 31, 2020 - $49,708 was current and $16,630 was non-current).

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the three months ended January 31, 2021.

		Land and Buildings		Leased equipment		Total
Balance - October 31, 2019	$	-	$	232,059	$	232,059
Adoption of IFRS 16		276,431		-		276,431
Additions		-		68,035		68,035
Amortization		(225,963)		(79,401)		(305,364)
Balance - October 31, 2020	$	50,468	$	220,693	$	271,161
Additions		785,227		-		785,227
Amortization		(47,527)		(21,400)		(68,927)
Balance - January 31, 2021	**$**	**788,168**	**$**	**199,293**	**$**	**987,461**

Leased equipment was reported in property and equipment in the statements of financial position at January 31, 2021 and October 31, 2020. Depreciation expense related to leased equipment is included in amortization of property and equipment and cost of sales in the statements of comprehensive loss (see Note 10).

Set out below are the carrying amounts and movements of lease liabilities.

Lease liabilities		January 31, 2021		October 31, 2020
Balance - beginning	$	116,907	$	142,205
Adoption of IFRS 16		-		276,431
Additions		785,227		68,035
Accretion of interest		5,096		65,433
Payments		(71,675)		(435,197)
Balance - ending	$	**835,555**	$	**116,907**
Current portion		183,746		100,277
Non-current portion		651,809		16,630

Payments during the three months ended January 31, 2021 of $71,675 included principal payments of $66,579 and interest of $5,096 (three months ended January 31, 2020 – payments of $108,106, comprised of principal payments of $89,004 and interest of $19,102).

Set out below are the minimum future lease payments after January 31, 2021.

		Total future minimum lease payments
Less than one year	$	261,300
Between one and five years		816,010
Total	**$**	**1,077,310**

Unaudited - Expressed in United States Dollars, unless otherwise indicated

10. PROPERTY AND EQUIPMENT

	Computer and Office Equipment	Production Equipment and Other	Construction in Progress	Leasehold Improvements	Total
COST					
Balance - October 31, 2019	$ 55,960	$ 443,598	$ 476,783	$ 1,310,471	$ 2,286,812
Additions	1,031	283,065	90,342	251,355	625,793
Transfers	(2,061)	2,061	(512,719)	512,719	-
Disposals	(39,764)	(17,350)	(9,331)	(947)	(67,392)
Balance - October 31, 2020	$ 15,166	$ 711,374	$ 45,075	$ 2,073,598	$ 2,845,213
Additions	-	-	-	159,016	159,016
Balance - January 31, 2021	$ 15,166	$ 711,374	$ 45,075	$ 2,232,614	$ 3,004,229
ACCUMULATED DEPRECIATION					
Balance - October 31, 2018	$ 1,907	$ 71,157	$ -	$ 429,896	$ 502,960
Amortization for the period	17,794	61,322	-	239,819	318,935
Balance - October 31, 2019	$ 19,701	$ 132,479	$ -	$ 669,715	$ 821,895
Amortization for the period	6,360	106,441	-	824,977	937,778
Transfers	(2,405)	2,405	-	-	-
Disposals	(8,490)	(7,301)	-	-	(15,791)
Balance - October 31, 2020	$ 15,166	$ 234,024	$ -	$ 1,494,692	$ 1,743,882
Amortization for the period	-	32,712	-	203,962	236,674
Balance - January 31, 2021	$ 15,166	$ 266,736	$ -	$ 1,698,654	$ 1,980,556
NET BOOK VALUE					
As at October 31, 2020	$ -	$ 477,350	$ 45,075	$ 578,906	$ 1,101,331
As at January 31, 2021	**$ -**	**$ 444,638**	**$ 45,075**	**$ 533,960**	**$ 1,023,673**

At January 31, 2021, production equipment includes $199,293 in leased assets (October 31, 2019 - $220,693). For the three months ended January 31, 2021, amortization capitalized was $206,707 (2020 - $174,163) and expensed amortization was $29,967 (2020 - $49,677).

Unaudited - Expressed in United States Dollars, unless otherwise indicated

11. LONG-TERM DEBT

Transactions related to the Company's unsecured promissory notes for the three months ended January 31, 2021 and January 31, 2020, include the following:

	Face value	Carrying amount	Interest payable
Balance - October 31, 2019	$ 150,000	$ 150,000	$ 7,979
60% - December 5, 2019 (11.4)	15,000	15,000	-
Interest expense on long-term debt	-	-	24,854
Debt repayments	(151,000)	(151,000)	(23,466)
Proceeds (11.5)	600,000	600,000	-
Debt repayments (11.5)	(75,126)	(75,126)	-
Interest accretion	-	260,940	-
Balance - October 31, 2020	$ 538,874	$ 799,814	$ 9,367
10% - November 23, 2020 (11.1)	125,000	125,000	-
10% - December 2, 2020 (11.2)	150,000	150,000	-
10% - January 27, 2021 (11.3)	250,000	250,000	-
Interest expense	-	-	2,788
Debt repayments	(62,197)	(62,197)	-
Interest payments	-	(2,326)	-
Interest accretion	-	119,463	-
Balance - January 31, 2021	**$ 1,001,677**	**$ 1,379,754**	**$ 12,155**
Less: Current Portion	715,544	329,166	12,155
January 31, 2021 non-current portion	$ 286,133	$ 1,050,588	$ -

11.1 On November 23, 2020, debt was issued by Grown Rogue Distribution, LLC with a principal amount of $125,000, interest accrued at 10% per annum, and a maturity date of November 23, 2023. After the maturity date, additional interest payments are due quarterly, at amounts that cause total interest paid over the life of the debt to equal $125,000. The note is reported at amortized cost using an effective interest rate of approximately 27%.

11.2 On December 2, 2020, debt was issued by Grown Rogue Gardens, LLC with a principal amount of $150,000, interest accrued at 10% per annum, and a maturity date of December 31, 2021. Interest and principal are payable upon maturity. The maturity date can be extended by up to six-months for a $1,000 fee per $10,000 of principal extended.

11.3 On January 27, 2021, debt was issued by Grown Rogue Distribution, LLC with a principal amount of $250,000, interest accrued at 10% per annum, and a maturity date of January 27, 2024. After the maturity date, additional interest payments are due quarterly, at amounts that cause total interest paid over the life of the debt to equal $250,000. The note is reported at amortized cost using an effective interest rate of approximately 27%.

11.4 On December 5, 2019, debt was issued with a principal amount of $15,000, with simple interest accrued at a rate of 60% per annum and a maturity of 60 days. On February 18, 2020, all principal and interest were repaid. This amount was owed to the CEO of the Company.

11.5 Debt issuance by GR Michigan, LLC

On March 20, 2020, debt with a principal amount of $600,000 was received under a secured debt investment of $600,000 (the "Michigan Debt"). The Michigan Debt carries a two-year term, with monthly payments of principal commencing June 15, 2020, and with payments calculated at 1% of cash sales receipts of Golden Harvests (Note 7). Once the principal is repaid, each investor will receive a monthly royalty of 1% per $100,000 invested based upon cash sales receipts of Golden Harvests (see Note 7) (the "Royalty"). The Royalty commences on the date that repayments equal to principal have been made, and continues for a period of two years. The Royalty maximum is two times the amount of principal invested, and the Royalty minimum is equal to the principal loaned; the Company expects to pay the Royalty maximum by July 2023. The Company has the right, but not the obligation, to purchase the Royalty from any lender by paying an amount equal to the original principal invested by such lender. The debt is reported at the carrying value of the probability-weighted estimated future cash flows of all payments under the Michigan Debt agreement at amortized cost using the effective interest method. Interest accreted during the three months ended January 31, 2021 was $113,107 (year ended October 31, 2020 - $260,940), calculated using an effective interest rate of approximately 73%. During the three months ended January 31, 2021 $ 62,197 was repaid against this debt (year ended October 31, 2020 - $75,126).

Principal amounts of the Michigan Debt of $50,000 and $100,000 (a total of $150,000), were loaned by officers of the Company. Principal of $150,000 was loaned by a director of the Company.

Unaudited - Expressed in United States Dollars, unless otherwise indicated

12. CONVERTIBLE DEBENTURES

Transactions related to the Company's convertible debentures for the three months ended January 31, 2021 and the year ended October 31, 2020, include the following:

		Face value		Carrying amount		Interest payable
Balance - October 31, 2019	**$**	**2,179,056**	**$**	**1,995,609**	**$**	**7,850**
Interest accretion through July 10, 2020		-		246,015		-
Conversion to common shares (12.1)		(37,733)		(37,733)		-
Effects of foreign exchange		(56,341)		(56,341)		
Deemed extinguishment (12.1)		(2,084,982)		(2,147,550)		-
Balance after deemed extinguishment	$	-	$	-	$	7,850
Deemed re-issuance (12.1)		2,169,135		2,464,241		-
Fair value of derivative liability		-		(787,264)		-
Conversion to common shares (12.1)		(75,130)		(75,130)		
Interest accretion		-		146,964		-
Interest payments		-		(44,138)		(7,850)
Effects of foreign exchange		-		35,005		-
Balance - October 31, 2020	$	2,094,005	$	1,739,678	$	-
Interest accretion		-		128,899		-
Interest payments		-		(44,603)		-
Effects of foreign exchange		136,120		75,106		-
Balance - January 31, 2021	$	**2,230,125**	$	**1,899,080**	$	-

12.1 The derivative liability component of the convertible debentures is remeasured at fair value through profit and loss at each reporting period using the Black-Scholes pricing model. The fair value at January 31, 2021, was $930,195 (October 31, 2020 - $583,390), and the unrealized loss from remeasurement for the three months ended January 31, 2021 was $319,627 (2020 - $Nil). The Black-Scholes pricing model assumptions used in the January 31, 2021, valuation were as follows:

- Expected dividend yield Nil%
- Risk-free interest rate 0.14%
- Expected life 0.75 years
- Expected volatility 92%

13. SHARE CAPITAL, SHARES ISSUABLE, AND SUBSCRIPTIONS PAYABLE

The Company is authorized to issue an unlimited number of common shares at no par value and an unlimited number of preferred shares issuable in series.

During the three months ended January 31, 2021, the following share transactions occurred:

13.1 The Company issued 18,044 common shares with a fair value of $3,441, and also recorded shares issuable with a fair value of $3,753, for employment compensation and director services for shares which had not yet been issued at January 31, 2021.

13.2 The Company issued 2,031,784 common shares with a fair value of $200,000 in the first tranche of a private placement. The second tranche of the private placement closed subsequent to January 31, 2021, and the Company received $125,000 of second tranche proceeds during the three months ended January 31, 2021.

13.3 The Company issued 25,000 shares with a fair value of $2,103 in order to extend the Golden Harvests payment described at Note 7.2.

13.4 On January 14, 2021, the Company agreed to issue 400,000 shares with a fair value of $36,310 to a lender of Golden Harvests in order to support Golden Harvests' (Note 7) business development. As at January 31, 2021, the shares had not yet been issued.

13.5 On November 2, 2020, a member of Golden Harvests earned 500,000 shares with a fair value of $48,900, based upon achievement of a production target. As at January 31, 2021, the shares had not yet been issued.

During the three months ended January 31, 2020, the following share transactions occurred:

13.6 The Company issued 1,058,750 shares with a fair value of $71,910 as compensation to directors, officers, and consultants of the Company.

Unaudited - Expressed in United States Dollars, unless otherwise indicated

14. WARRANTS

During the three months ended January 31, 2021, no new warrants were issued. The following table summarizes the warrant activities for the three months ended January 31, 2021:

	Number	Weighted Average Exercise Price
Balance - October 31, 2019	27,584,605	0.53
Issued pursuant to private placement	5,000,000	0.13
Issued pursuant to private placement	10,000,000	0.13
Expired	(17,183)	(14.05)
Cancellation of prior warrants associated with convertible debt (Note 12.1)	(6,818,182)	0.55
Issuance of new warrants associated with convertible debt (Notes 12.1)	6,818,182	0.16
Consideration warrants for convertible debt maturity extension (Notes 12.1)	1,590,909	0.16
Balance - October 31, 2020	44,158,331	0.33
Expiration of broker warrants	(757,125)	0.44
Expiration of warrants	(17,843,998)	0.55
Balance - January 31, 2021	**25,557,208**	**0.24**

As at January 31, 2021, the following warrants were issued and outstanding:

Exercise price		Warrants outstanding	Remaining contractual life (years)	Expiry date
$	0.16	8,409,091	0.8	November 01, 2021
	0.13	5,000,000	1.0	February 10, 2022
	0.13	10,000,000	1.3	May 15, 2022
	0.44	2,148,117	2.4	June 28, 2023
$	**0.17**	**25,557,208**	**1.2**	

15. STOCK OPTIONS

The following table summarizes the stock option movements for the three months ended January 31, 2021:

	Number	Exercise price (CAD$)
Balance - October 31, 2019	650,000	0.44
Granted to employees	3,575,000	0.15
Forfeitures by service provider	(150,000)	0.44
Forfeitures by employees	(355,000)	0.15
Balance - October 31, 2020	3,720,000	0.19
Granted to employees	700,000	0.15
Forfeitures by employees	(68,750)	0.15
Balance - January 31, 2021	**4,351,250**	**0.18**

15.1 During the three months ended January 31, 2021, 700,000 options were granted (2020 – nil) to employees.

The fair value of the options granted during the three months ended January 31, 2021, was approximately $36,500 (CAD$47,078) which was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

- Expected dividend yield Nil%
- Risk-free interest rate 0.33%
- Expected life 4.0 years
- Expected volatility 96%

The vesting terms of options granted during the three months ended January 31, 2021 are set out in the table below:

Number granted	Vesting terms
500,000	1/2 on grant date, 1/2 on first anniversary of grant date
200,000	1/2 on second anniversary of grant date, 1/2 on the fourth anniversary of grant date
700,000	

As at January 31, 2021 the following Stock Options were issued and outstanding (all prices are in Canadian Dollars unless otherwise noted):

Exercise price	Options outstanding	Number exercisable	Remaining Contractual Life (years)	Expiry date
$ 0.44	500,000	500,000	0.9	January 01, 2022
0.15	3,151,250	2,083,750	3.4	July 09, 2024
0.15	500,000	250,000	3.8	December 01, 2024
0.15	200,000	-	3.8	November 18, 2024
$ 0.19	**4,351,250**	**2,833,750**	**3.2**	

16. CHANGES IN NON-CASH WORKING CAPITAL

The changes to the Company's non-cash working capital for the three months ended January 31, 2021 and 2020 are as follows:

Three months ended January 31,		2021		2020
Accounts receivable	$	(66,866)	$	(10,981)
Inventory		242,376		718,792
Prepaid expenses and other assets		(9,244)		(13,903)
Accounts payable and accrued liabilities		204,991		245,387
Interest payable		(44,141)		18,023
Unearned revenue		84,600		(35,000)
Total	**$**	**411,716**	**$**	**922,318**

Unaudited - Expressed in United States Dollars, unless otherwise indicated

17. SUPPLEMENTAL CASH FLOW DISCLOSURE

Three months ended January 31,		2021		2020
Interest paid	$	50,159	$	-
Fair value of common shares issued & issuable for services		56,094		71,910
Fair value of common shares issued to extend Golden Harvests Option payment		2,103		-
Fair value of common shares issued to Golden Harvests creditor		36,310		-

18. RELATED PARTY TRANSACTIONS

During the three months ended January 31, 2021, the Company incurred the following related party transactions:

18.1 Through its wholly owned subsidiary, GRU Properties, LLC, the Company leased a property located in Trail, Oregon owned by the Company's President and CEO. The lease was extended during the three months ended January 31, 2021 and expires on December 31, 2025. Rent of $19,000 was incurred for the three months ended January 31, 2021 (2020 - $18,500). The Company had $45,000 (October 31, 2020 - $45,000) owing under this lease at January 31, 2021 from lease payments which the CEO agreed to defer (Note 8). The lease balance at January 31, 2021, was $275,707 (October 31, 2020 - $12,532).

18.2 The Company incurred expenses of $11,250 (2020 - $12,000) for services provided by the spouse of the CEO. At January 31, 2021, accounts and accrued liabilities payable to this individual were $3,750 (October 31, 2020 - $1,946). During the year ended October 31, 2020, this individual was granted 500,000 options which vested on the grant date.

18.3 Key management personnel consist of the President and CEO; the former Chief Strategy Officer; the CFO of GR Unlimited; the Chief Market Officer; the Chief Accounting Officer; and the CFO of Grown Rogue International, Inc. The compensation paid or payable to key management for services for the periods as follows:

Three months ended January 31,		2021		2020
Salaries and consulting fees	$	164,675	$	100,500
Share-based compensation		14,296		10,188
Stock option expense		16,806		-
Total	**$**	**195,777**	**$**	**110,688**

Stock options granted to key management personnel and close family members of key management personnel include the following options, granted during the year ended October 31, 2020: 750,000 options to the CFO of GR Unlimited; 750,000 options to the Chief Market Officer; and 250,000 option to the Chief Accounting Officer.

Accounts payable and accrued liabilities due to key management at January 31, 2021 totaled $510,455 (October 31, 2020 - $441,424), including the accrued liabilities described at Note 8.

Unaudited - Expressed in United States Dollars, unless otherwise indicated

18.4 Debt balances and movements with related parties

The following table sets out portions of debt pertaining to related parties:

		CEO		CFO of GR Unlimited LLC		Directors		Total
Balance - October 31, 2019	$	-	$	-	$	-	$	-
Borrowed		50,000		100,000		150,000		300,000
Interest		21,745		43,491		65,236		130,472
Payments		(10,252)		(20,504)		(30,756)		(61,512)
Balance - October 31, 2020	$	61,493	$	122,987	$	184,480	$	368,960
Borrowed		-		-		-		-
Interest		9,426		18,851		28,277		56,554
Payments		(1,191)		(2,383)		(3,574)		(7,148)
Balance - January 31, 2021	**$**	**69,728**	**$**	**139,455**	**$**	**209,183**	**$**	**418,366**

Pursuant to the loan agreements transacted during the year ended October 31, 2020, the CEO, CFO of GR Unlimited LLC, and a director obtained 5.5%; 1%; and 2.5% of GR Michigan LLC, respectively; third parties obtained 4% as part of the same loan agreements (Note 11.5), such that GR Michigan has a 13% non-controlling interest (Note 23.2).

On November 23, 2020, an individual who became a director purchased 6.25 newly issued equity units of Grown Rogue Distribution, LLC for $250,000 (Note 23.3), out of the total of 9.375 such units issued during the three months ended January 31, 2021.

19. FINANCIAL INSTRUMENTS

19.1 Market Risk (including interest rate risk and currency risk)

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

19.1.1 Interest Rate Risk

At January 31, 2021, the Company's exposure to interest rate risk relates to long-term debt, convertible promissory notes, and finance lease obligations; each of these items bears interest at a fixed rate.

19.1.2 Currency Risk

As at January 31, 2021, the Company had accounts payable and accrued liabilities of CAD$567,665 and convertible debentures of CAD$2,850,000, as well as a derivative liability of CAD$1,188,748. The Company is exposed to the risk of fluctuation in the rate of exchange between the Canadian Dollar and the United States Dollar.

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19.2 Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation.

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

The carrying amount of cash, accounts receivable, and other receivables represent the Company's maximum exposure to credit risk; the balances of these accounts are summarized in the following table:

		January 31, 2021		October 31, 2020
Cash	$	1,278,401	$	217,788
Accounts Receivable		238,987		172,121
Total	**$**	**1,517,388**	**$**	**389,909**

The allowance for doubtful accounts at January 31, 2021 is $1,000 (October 31, 2020 - $7,425).

As at January 31, 2021 and October 31, 2020, the Company's trade accounts receivable and other receivable were aged as follows:

		January 31, 2021		October 31, 2020
Current		79,156		66,660
1-30 days		74,642		49,204
31 days-older		89,189		63,682
Allowance for doubtful accounts		(1,000)		(7,425)
Total trade accounts receivable	**$**	**238,987**	**$**	**172,121**

The change in the provision for expected credit losses is as follows:

		January 31, 2021		October 31, 2020
Balance, beginning of period	$	7,425	$	129,131
Additional allowance (reduction)		6,017		10,349
Amounts collected		(12,442)		(6,757)
Amounts used		-		(125,298)
Balance, end of period	**$**	**1,000**	**$**	**7,425**

19.3 Liquidity Risk

Liquidity risk is the risk that an entity will have difficulties in paying 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, 2021, the Company’s working capital accounts were as follows:

Unaudited - Expressed in United States Dollars, unless otherwise indicated

		January 31, 2021		October 31, 2020
Cash	$	1,278,401	$	217,788
Current assets excluding cash		1,509,962		1,616,987
Total current assets		2,788,363		1,834,775
Current liabilities		4,714,398		1,799,104
Working capital (deficit)	**$**	**(1,926,035)**	**$**	**35,671**

The contractual maturities of the Company's accounts payable and accrued liabilities, debt, leases, unearned revenue, and derivative liabilities occur over the next three years as follows, excluding the redemption liabilities of $375,000, which do not have a scheduled maturity, and derivative liabilities of $930,195, which are not cash-settled:

		Year 1		Years 2 - 3
Accounts payable and accrued liabilities	$	1,275,456	$	389,816
Debt and convertible debentures		2,228,246		1,050,588
Lease liabilities		183,746		651,809
Interest payable		12,155		-
Unearned revenue		84,600		-
Total	**$**	**3,784,203**	**$**	**2,092,213**

19.4 Fair Values

The carrying amounts for the Company's cash, accounts receivable, prepaid and other assets, accounts payable and accrued liabilities, current portions of debt and debentures payable, unearned revenue, and interest payable approximate their fair values because of the short-term nature of these items.

19.5 Fair Value Hierarchy

A number of the Company's accounting policies and disclosures require the measurement of fair valued for both financial and nonfinancial 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: unadjusted quoted prices 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; or

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

Unaudited - Expressed in United States Dollars, unless otherwise indicated

The carrying values of the financial instruments at January 31, 2021 are summarized in the following table:

	Level in fair value hierarchy		Amortized Cost		FVTPL
Financial Assets					
Cash	Level 1	$	1,278,401	$	-
Accounts receivable	Level 2		238,987		-
Marketable securities	Level 1		-		914,970
Financial Liabilities					
Accounts payable and accrued liabilities	Level 2	$	1,665,272	$	-
Convertible debentures	Level 2		1,899,080		-
Debt	Level 2		1,379,754		-
Interest payable	Level 2		12,155		-
Derivative liabilities	Level 2		-		930,195
Redemption liabilities	Level 2		-		375,000

During the three months ended January 31, 2021 there were no transfers of amounts between levels.

20. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three months ended January 31, 2021 and 2020 are as follows:

Three months ended January 31,		**2021**		**2020**
Office, banking, travel, and overheads	$	100,708	$	117,685
Professional services		136,428		165,352
Salaries and benefits		429,603		387,731
Total	**$**	**666,739**	**$**	**670,768**

21. CAPITAL DISCLOSURES

The Company includes equity, comprised of share capital, contributed surplus (including the fair value of equity instruments to be issued), equity component of convertible promissory notes and deficit, in the definition of capital.

The Company's objectives when managing capital are as follows:

- to safeguard the Company's assets and ensure the Company's ability to continue as a going concern.
- to raise sufficient capital to finance the construction of its production facility and obtain license to produce recreational marijuana; and
- to raise sufficient capital to meet its general and administrative expenditures.

Unaudited - Expressed in United States Dollars, unless otherwise indicated

The Company manages its capital structure and makes adjustments to it, based on the general economic conditions, the Company's short-term working capital requirements, and its planned capital requirements and strategic growth initiatives.

The Company's principal source of capital is from the issuance of common shares. In order to achieve its objectives, the Company expects to spend its working capital, when applicable, and raise additional funds as required.

The Company does not have any externally imposed capital requirements.

22. SEGMENT REPORTING

Geographical information relating to the Company's activities is as follows:

Revenue – three months ended January 31,		**2021**		**2020**
United States	$	1,051,185	$	1,106,296
Canada		-		-
Total	**$**	**1,105,185**	**$**	**1,106,296**

Non-current assets as at:		**January 31, 2021**		**October 31, 2020**
United States (1)	$	2,916,726	$	1,929,643
Canada		-		-
Total	**$**	**2,996,486**	**$**	**1,929,643**

(1) Includes: plant and equipment

Major customers are defined as customers that each individually account for greater than 10% of the Company's annual revenues. During the three months ended January 31, 2021, one major customer accounted for 17% of revenues (2020 – three major customers accounted for 43% of annual revenues).

Unaudited - Expressed in United States Dollars, unless otherwise indicated

23. NON-CONTROLLING INTERESTS

The changes to the non-controlling interest for the years ended January 31, 2021 and October 31, 2020 are as follows:

		January 31, 2021		October 31, 2020
Balance, beginning of period	$	(33,383)	$	19,538
Elimination of GRD Cali, LLC non-controlling interest		-		22,128
Non-controlling interest's 40% share of GRD Cali, LLC		-		(36,366)
Non-controlling interest's 40% share of Idalia, LLC		(302)		(129)
Non-controlling interest's 13% share of GR Michigan, LLC		5,742		(38,554)
Non-controlling interest's 8.6% share of Grown Rogue Distribution, LLC		374,456		-
Balance, end of period	**$**	**346,513**	**$**	**(33,383)**

23.1 Non-controlling interest in Idalia, LLC

The following is summarized financial information for Idalia, LLC:

		January 31, 2021		October 31, 2020
Non-current assets	$	9,475	$	10,230
Net loss for the period		755		322

23.2 Non-controlling interest in GR Michigan, LLC:

		January 31, 2021		October 31, 2020
Current assets	$	119,913	$	74,961
Non-current assets		609,817		603,895
Current liabilities		104,385		489,266
Advances from parent		732,429		68,994
Net loss for the period		48,867		296,570

Nine percent (9%) of GR Michigan LLC is owned by officers and directors of the Company; this ownership is pursuant to an agreement that included their loans made to GR Michigan LLC (Note 18.4). The total non-controlling ownership, including ownership by officers and directors, is 13%.

Unaudited - Expressed in United States Dollars, unless otherwise indicated

23.3 Non-controlling interest in Grown Rogue Distribution, LLC

The following is summarized financial information for Grown Rogue Distribution, LLC:

	January 31, 2021	October 31, 2020
Non-current assets	$ 49,665	$ -
Current liabilities	60,866	-
Non-current liabilities	318,159	-
Net loss for the period	6,351	-

During the three months ended January 31, 2021, the Company sold an approximately 8.6% interest in Grown Rogue Distribution, LLC ("GR Distribution") for $375,000. The interest was comprised of 9.375 newly issued equity units ("GR Distribution Units") and each GR Distribution Unit was sold for $40,000. After the issuance, 109.375 GR Distribution Units were issued and outstanding. Of the 9.375 units issued, 6.25 were issued to a director of the Company, for proceeds of $250,000. The GR Distribution Units are puttable by the subscribers to the Company and callable from the subscribers by the Company, and can be settled in Company shares at a value agreed upon by the Company and the GR Distribution non-controlling interests, or in cash, or in a combination of cash and shares of the Company's choice. The Company has accordingly recognized redemption liabilities of $375,000 at January 31, 2021 (2020 - $Nil), recorded by way of a reduction in Company contributed surplus.

24. SUBSEQUENT EVENTS

On February 15, 2021, Grown Rogue Distribution LLC ("GR Distribution") sold 2.5 equity units for US$40,000 per unit each for total proceeds of $100,000. After this transaction, GR Distribution had 111.875 equity units outstanding, of which the Company owns 100. The unit holders have the future right to convert their units in the subsidiary, at a price agreed upon by the Company and the subscriber, into common shares of the Company at the greater of CAD$0.20 or the maximum permitted discount under the policies of the Canadian Securities Exchange at the time of conversion.

On February 5, 2021 the Company completed the second tranche of a private placement; the second tranche was comprised of 8,200,000 units at CAD$0.16 per unit for proceeds of CAD$1,312,000. Each unit was comprised of one common share and one warrant to purchase one common share. Each warrant has an exercise price of CAD$0.20 and a term of two years. The second tranche included subscriptions by the following related parties: the CEO subscribed to 1,600,000 units; the CFO of GR Unlimited subscribed to 2,000,000 units; a key Company operations manager subscribed to 1,000,000 units; and PBIC subscribed to 2,000,000 units.

Subsequent to January 31, 2021, the Company's subsidiary, GR Michigan, LLC, terminated its Option to Acquire Golden Harvests. Simultaneously with the termination, a new entity, Canopy Management, LLC ("Canopy") signed an Option to Purchase Golden Harvests under similar terms. Canopy has already received approval by the State of Michigan for licensing and this will allow the Company to accelerate its option exercise to obtain a 60% interest in Golden Harvests. Canopy is majority owned by GRIN's CEO, who has a fiduciary responsibility to the Company. The Company has an option to acquire an 87% membership interest in Canopy, from GRIN's CEO, which when exercised, pending approval by the State of Michigan of the Company's application, will provide identical economic rights as the Company originally had with GR Michigan.

On February 5, 2021, the Company agreed to acquire (the "HSCP Transaction") substantially all of the assets of the growing and retail operations of High Street Capital Partners, LLC ("HSCP") for total consideration of $3,000,000, payable in a series of tranches, subject to receipt of all necessary regulatory and other approvals, not to exceed 18 months from the date of the agreement evidencing the HSCP. The Company also executed a management services agreement ("MSA") with HSCP pursuant to which the Company agreed to pay $21,500 per month to HSCP as consideration for their services rendered thereunder, until the completion of the HSCP Transaction. In accordance with the MSA, the Company will own all production from the growing assets derived from the growing operations of HSCP. The Company will operate the growing facility of HSCP under the MSA until receipt of the necessary regulatory approvals relating to the acquisition by the Company of HSCP's growing assets. The Company will have no involvement with the retail operations until the HSCP Transaction is completed.

On March 2, 2021, holders of convertible debentures converted principal of CAD$491,666 into common shares at CAD$0.125 per share, and accordingly the Company issued 3,933,328 common shares to those holders. On April 9, 2021, the Company paid holders of the convertible debentures principal of CAD$1,538,889. After the conversions and the payment, the undiscounted principal amount of convertible debentures outstanding was approximately $650,000 (CAD$819,445).

On March 17, 2021, the Company executed a lease for a new outdoor grow property. The lease term is through February 28, 2024. The annual lease cost is $40,000 per year, due in two equal semiannual payments on March 1st and June 1st. There are no extension options in this agreement for periods after February 28, 2024. Management will transfer one of its existing outdoor growing licenses to this new location, and cease outdoor grow operations at the prior location. The remaining term at the prior location is through December 31, 2021, and undiscounted remaining payments from February 1, 2021 to the end of the lease term total $41,800.

Brokered private placement of special warrants

On March 5, 2021, the Company announced completion of a brokered private placement offering through the issuance of an aggregate of 21,056,890 special warrants (each a "Special Warrant") at a price of $0.225 (the "Issue Price") per Special Warrant for aggregate gross proceeds of approximately $3.7 million (CAD$4,737,800) (the "Offering"). The Offering was led by Eight Capital (the "Agent"), as sole agent and bookrunner.

Each Special Warrant entitles the holder thereof to receive, for no additional consideration, one unit of the Company (each, a "Unit") on the exercise or deemed exercise of the Special Warrant. Each Unit is comprised of one common share in the capital of the Company (each, a "Common Share") and one Common Share purchase warrant (each, a "Warrant"). Each Warrant entitles the holder thereof to acquire one Common Share at an exercise price of CAD$0.30 for a period of twenty-four (24) months following the closing date (the "Closing Date") of the Offering, subject to adjustment in certain events set out in the indenture governing the Warrants.

The Special Warrants are exercisable by the holders thereof at any time for no additional consideration and all unexercised Special Warrants will be deemed to be exercised, without any further action or payment of additional consideration by the holder thereof, on the date that is the earlier of: (i) the date that is three (3) business days following the date on which the Company obtains a receipt from the applicable securities regulatory authorities (the "Securities Commissions") for a final short form prospectus qualifying distribution of the Common Shares and Warrants underlying the Special Warrants (the "Qualifying Prospectus"), and (ii) July 6, 2021.

As the Company did not receive a final receipt from the Ontario Securities Commission for the Qualifying Prospectus on or before April 5, 2021, each Special Warrant holder will receive, upon the exercise or deemed exercise thereof, at no additional consideration, 1.10 Units upon exercise of each Special Warrant (instead of one (1) Unit); accordingly, the final aggregate number of Units to be issued will be 23,162,579.

As consideration for the services rendered by the Agent in connection with the Offering, the Company paid to the Agent a cash commission of $253,746 and issued the Agent an aggregate of 1,127,758 broker warrants of the Company (the “Broker Warrants”) exercisable to acquire 1,127,758 compensation options (the “Compensation Options”). As consideration for certain advisory services provided in connection with the Offering, the Company paid to the Agent an advisory fee of $25,500 and issued the Agent an aggregate of 113,500 advisory warrants (the “Advisory Warrants”) exercisable to acquire 113,500 Compensation Options.

Each Compensation Option entitles the holder thereof to purchase one unit of the Company (a “Compensation Unit”) at the Issue Price for a period of twenty-four (24) months following the Closing Date, subject to adjustment in certain events. Each Compensation Unit shall be comprised of one Common Share and one common share purchase warrant of the Company (a "Compensation Warrant"). Each Compensation Warrant shall entitle the holder thereof to purchase one common share in the capital of the Company (a "Compensation Warrant Share") at a price of CAD$0.30 at any time before 5:00 p.m. (Toronto time) on the day that is twenty-four (24) months following the Closing Date, subject to adjustment in certain events.

Prior to the filing of the Qualifying Prospectus and the deemed exercise of the Special Warrants, the securities issued under the Offering will be subject to a four month hold period from the date of closing of the Offering in addition to any other restrictions under applicable securities laws.