GROWN ROGUE INTERNATIONAL INC.

Consolidated Financial Statements
For the Years ended October 31, 2021, and 2020
Expressed in United States Dollars

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Notes to the Consolidated Financial Statements

Independent Auditors' Report

To the Shareholders and Directors
Grown Rogue International, Inc.
Toronto, Ontario

Opinion

We have audited the consolidated financial statements of Grown Rogue International, Inc. (the Company), which comprise the consolidated statements of financial position of at October 31, 2021, and the consolidated statements of comprehensive loss, changes in equity holder's deficit and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the 'financial statements').

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company at October 31, 2021, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian Auditing Standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- *Fair value of business combination* – as discussed in Note 7 to the financial statements, the Company entered into a business combination during the year, which we identified as a key audit matter. There was a high degree of auditor judgment to evaluate the significant assumptions used by management and its valuation expert in determining the relative fair values of acquired tangible assets and liabilities as well as goodwill and intangible assets. The sensitivity of reasonably possible changes to those assumptions could have had a significant impact on the determination of recorded amounts of such assets and liabilities.

Turner, Stone & Company, L.L.P.
Accountants and Consultants

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Key Audit Matters (continued)

The following are the primary procedures we performed to address this key audit matter. We reviewed the underlying documents, evaluated the reasonableness of the Company's fair value determinations, performed selected tests related to acquired assets and liabilities and we involved valuation professionals with specialized skills and knowledge who assisted in evaluating the significant assumptions and estimates used by the Company.

- *Measurement of fair value of biological assets* – as discussed in Note 4 to the financial statements, the Company measures biological assets at fair value less costs to sell in accordance with IAS 41, Agriculture, which we identified as a key audit matter. The Company uses an income approach to determine the fair value less costs to sell at a specific measurement date, based on the existing cannabis plant's stage of completion up to the point of harvest.

  The following are the primary procedures we performed to address this key audit matter. We evaluated the design and tested calculations, including the assumptions used, to determine the fair value of the biological assets. We tested allocation of indirect costs, which formed part of standard cost per unit to complete production, by assessing the allocation method, recalculating the allocations and on a selection basis comparing the underlying allocation to source documents.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions that indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Company for the year ended October 31, 2020 were audited by other auditors who expressed an unmodified opinion on the those financial statements on March 1, 2021.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Managements' Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in Appendix A to this independent auditors' report. Those descriptions form a part of our independent auditors' report.

The engagement partner on the audit resulting in this independent auditors' report is Edward L. Turner.

Turner, Stone & Company, LLP

Certified Public Accountants
February 28, 2022

Appendix A
to
Independent Auditors' Report

As part of an audit in accordance with Canadian Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; to design and perform audit procedures responsive to those risks; and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause an entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's consolidated group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grown Rogue International Inc.

Consolidated Statements of Financial Position

Expressed in United States Dollars

	October 31, 2021	October 31, 2020
	$	$
ASSETS		
Current assets		
Cash	1,114,033	217,788
Accounts receivable (Note 21)	739,248	172,121
Biological assets (Note 4)	1,188,552	250,690
Inventory (Note 5)	3,306,312	1,124,360
Prepaid expenses and other assets	357,541	69,816
Total current assets	**6,705,686**	**1,834,775**
Marketable securities (Note 6)	610,092	585,035
Other investments and purchase deposits (Note 8)	750,000	187,812
Property and equipment (Note 11)	5,742,584	1,151,799
Intangible assets and goodwill (Note 12)	399,338	4,997
TOTAL ASSETS	**14,207,700**	**3,764,418**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	1,766,707	1,059,971
Current portion of lease liabilities (Note 10)	624,935	100,277
Current portion of long-term debt (Note 13)	843,900	46,099
Business acquisition consideration payable (Note 7)	358,537	-
Interest payable (Note 13)	13,750	9,367
Derivative liabilities (Note 14)	-	583,390
Income tax (Note 23)	254,631	-
Total current liabilities	**3,862,460**	**1,799,104**
Accrued liabilities (Note 9)	123,413	389,816
Lease liabilities (Note 10)	1,735,503	16,630
Long-term debt (Note 13)	1,365,761	753,715
Convertible debentures (Note 14)	-	1,739,678
Deferred rent	-	10,494
TOTAL LIABILITIES	**7,087,137**	**4,709,437**
EQUITY		
Share capital (Note 15)	20,499,031	14,424,341
Shares issuable (Notes 7,15)	74,338	-
Contributed surplus (Notes 16, 17)	6,407,935	4,070,264
Accumulated other comprehensive income (loss)	(90,378)	(12,197)
Accumulated deficit	(21,804,349)	(19,394,044)
Equity attributable to shareholders	5,086,577	(911,636)
Non-controlling interest (Note 26)	2,033,986	(33,383)
TOTAL EQUITY	**7,120,563**	**(945,019)**
TOTAL LIABILITIES AND EQUITY	**14,207,700**	**3,764,418**

Going Concern (Note 1)
Subsequent Events (Note 27)

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 consolidated financial statements.

Grown Rogue International Inc.

Consolidated Statements of Comprehensive Loss

Expressed in United States Dollars

	Years ended October 31,	
	2021	**2020**
	$	$
Revenue		
Product sales	9,034,618	3,846,223
Service revenue	344,055	393,381
Total revenue	**9,378,673**	**4,239,604**
Cost of goods sold		
Cost of finished cannabis inventory sold (Note 5)	(3,997,617)	(2,155,507)
Cost of service revenues	(154,353)	(271,167)
Gross profit, excluding fair value items	**5,226,703**	**1,812,930**
Realized fair value amounts in inventory sold	(950,461)	(1,482,725)
Unrealized fair value gain loss on growth of biological assets (Note 4)	1,824,226	1,515,492
Gross profit	**6,100,468**	**1,845,697**
Expenses		
Accretion expense	949,811	609,357
Amortization of intangible assets	4,997	26,600
Amortization of property & equipment (Note 11)	180,015	250,836
General and administrative (Note 22)	3,983,250	2,196,421
Share-based compensation	280,819	337,162
Total expenses	**5,398,892**	**3,420,376**
Gain (loss) from operations	**701,576**	**(1,574,679)**
Other income and (expense)		
Interest expense	(197,632)	(249,296)
Other income (expense)	(17,072)	14,750
Gain on disposal of subsidiary	-	1,574
Loss on debt restructure	-	(765,707)
Gain on derecognition of derivative liability	-	244,572
Gain on debt settlement	141,180	23,939
Loss on settlement of non-controlling interest	(189,816)	-
Unrealized loss on marketable securities	(35,902)	(263,483)
Unrealized gain (loss) on derivative liability (Note 14)	(1,258,996)	221,820
Loss on disposal of property and equipment	(7,542)	(9,978)
Loss from operations before taxes	**(864,204)**	**(2,356,488)**
Income tax (Note 23)	(150,543)	-
Net loss	**(1,014,747)**	**(2,356,488)**
Other comprehensive income (items that may be subsequently reclassified to profit & loss):		
Currency translation	(78,181)	(134,117)
Total comprehensive loss	**(1,092,928)**	**(2,490,605)**
Loss per share attributable to shareholders – basic & diluted	(0.02)	(0.03)
Weighted average shares outstanding – basic & diluted	135,231,802	90,596,827
Net loss for the year attributable to:		
Non-controlling interest	1,395,558	(75,049)
Shareholders	(2,410,305)	(2,281,439)
Net loss	(1,014,747)	(2,356,488)
Comprehensive loss for the year attributable to:		
Non-controlling interest	1,395,558	(75,049)
Shareholders	(2,488,486)	(2,415,556)
Total comprehensive loss	(1,092,928)	(2,490,605)

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

Grown Rogue International Inc.

Consolidated Statements of Changes in Equity Holders' Deficit

Expressed in United States Dollars

	Number of common shares	Share capital	Shares issuable	Contributed surplus	Currency translation reserve	Accumulated deficit	Non-controlling interests	Total equity
	#	$	$	$	$	$	$	$
Balance - 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, director, & consulting services (Note 15.1)	534,294	95,294	-	-	-	-	-	95,294
Shares issuable for employment, director & consulting services	-	-	38,532	-	-	-	-	38,532
Shares issued pursuant to private placement (Notes 15.2)	10,231,784	1,225,000	-	-	-	-	-	1,225,000
Expenses of non-brokered private placement (Note 15.2)	-	(15,148)	-	-	-	-	-	(15,148)
Shares issued to extend payment due date (Note 15.3)	25,000	2,103	-	-	-	-	-	2,103
Shares payments towards acquisition of Golden Harvests and extend due date (Note 7, Note 15.5)	600,000	107,461	-	-	-	-	-	107,461
Shares issuable for consideration for acquisition of Golden Harvests (Note 7)	-	-	35,806	-	-	-	-	35,806
Shares issued to partner creditor (Note 15.4)	400,000	36,310	-	-	-	-	-	36,310
Shares and warrants issued pursuant to brokered private placement of Special Warrants (Notes 15.6, 16)	23,162,579	3,738,564	-	-	-	-	-	3,738,564
Expenses of brokered private placement of Special Warrants (Note 15.6)	-	(485,722)	-	-	-	-	-	(485,722)
Broker and advisory warrants issued pursuant to Special Warrant financing (Notes 15.6, 16.1)	-	(210,278)	-	210,278	-	-	-	-
Settlement of convertible debentures for cash and common shares (Note 15.7)	10,488,884	916,290	-	1,883,731	-	-	-	2,800,021
Issuance of non-controlling interest in subsidiary for cash (Note 27.5)	-	-	-	(475,000)	-	-	475,000	-
Purchase of non-controlling interest in subsidiary (Note 27.5)	3,711,938	664,816		475,000	-	-	(475,000)	664,816
Change in ownership interests in subsidiaries	-	-	-	-	-	-	671,811	671,811
Stock option vesting expense	-	-	-	243,662	-	-	-	243,662
Currency translation adjustment	-	-	-	-	(78,181)	-	-	(78,181)
Net loss	-	-	-	-	-	(2,410,305)	1,395,558	(1,014,747)
Balance - October 31, 2021	156,936,876	20,499,031	74,338	6,407,935	(90,378)	(21,804,349)	2,033,986	7,120,563

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

Grown Rogue International Inc.

Statements of Changes in Equity Holders' Equity (Deficit)

Expressed in United States Dollars

	Number of common shares	Share capital	Subscriptions payable	Contributed surplus	Currency translation reserve	Accumulated deficit	Non-controlling interests	Total equity
	#	$	$	$	$	$	$	$
Balance - October 31, 2019	73,219,916	12,647,930	5,136	2,890,435	121,920	(17,112,605)	19,538	(1,427,646)
Common units issued pursuant to private placement (Note 15.8)	15,000,000	564,17	-	520,188	-	-	-	1,084,335
Share issuance costs	-	(11,508)	-	(5,083)	-	-	-	(16,591)
Common shares issued pursuant to share swap (Note 15.8)	15,000,000	848,011	-	-	-	-	-	848,011
Common shares issued for compensation (Note 15.9)	909,386	76,797	-	-	-	-	-	76,797
Common shares issued for services (Note 15.10)	2,300,000	163,543	-	-	-	-	-	163,543
Common shares issued for investment (Note 15.11)	200,000	12,812	-	-	-	-	-	12,812
Conversion of debt into common shares (Note 15.12)	1,038,095	112,863	-	-	-	-	-	112,863
Issuances pursuant to convertible agreements (Note 15.12)	115,000	9,746	-	424,645	-	-	-	434,391
Stock option grants	-	-	-	240,079	-	-	-	240,079
Elimination of non-controlling interest of subsidiary sold	-	-	-	-	-	-	22,128	22,128
Subscription payable to be settled as trade payable			(5,136)					(5,136)
Currency translation adjustment	-	-	-	-	(134,117)	-	-	(134,117)
Net loss	-	-	-	-	-	(2,281,439)	(75,049)	(2,356,488)
Balance - October 31, 2020	107,782,397	14,424,341	-	4,070,264	(12,197)	(19,394,044)	(33,383)	(945,019)

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

Grown Rogue International Inc.

Consolidated Cash Flow Statements

Expressed in United States Dollars

Year ended October 31,	2021	2020
Cash provided by (used in):	$	$
Operating activities		
Net loss	(1,014,747)	(2,356,488)
Adjustments for non-cash items in net loss		
Amortization of property and equipment	180,015	250,836
Amortization of property and equipment include in costs of inventory sold	733,655	518,999
Amortization of intangible assets	4,997	26,600
Unrealized gain on changes in fair value of biological assets	(1,824,226)	(1,515,492)
Changes in fair value of inventory sold	950,461	1,482,725
Share-based compensation	170,136	239,067
Stock option expense	243,662	174,892
Accretion expense	949,811	568,969
Gain on liability settlement	-	(23,939)
Gain on disposal of property & equipment	7,542	9,978
Gain on sale of subsidiary	-	(1,574)
Loss from debt restructuring	-	765,707
Unrealized gain on marketable securities	35,902	263,483
Gain on derecognition of derivative liability	-	(244,572)
Loss on fair value of derivative liability	1,258,996	(221,820)
Loss on acquisition of non-controlling interest paid in shares	189,816	-
Effects of foreign exchange	7,233	(134,117)
	1,893,253	(196,746)
Changes in non-cash working capital (Note 18)	(2,131,714)	(96,064)
Net cash provided by operating activities	(238,461)	(292,810)
Investing activities		
Purchase of property and equipment	(2,047,136)	(557,758)
Net cash acquired (Note 7)	76,128	-
Payment of acquisition payable	(6,000)	-
Other investment	(750,000)	(175,000)
Receipt from sale of subsidiary	-	83,966
Net cash used in investing activities	(2,727,008)	(648,792)
Financing activities		
Third party investment in subsidiary	475,000	-
Proceeds from long-term debt	1,125,000	615,000
Proceeds from private placement	1,225,000	1,067,745
Proceeds from brokered private placement	3,738,564	-
Payment of equity and debenture issuance costs	(500,870)	-
Repayment of long-term debt	(507,715)	(226,126)
Repayment of convertible debentures	(1,312,722)	-
Payments of lease principal	(380,543)	(372,154)
Net cash provided by financing activities	3,861,714	1,084,464
Change in cash	**896,245**	**142,862**
Cash balance, beginning	217,788	74,926
Cash balance, ending	**1,114,033**	**217,788**

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

Expressed in United States Dollars, unless otherwise indicated

1. CORPORATE INFORMATION AND GOING CONCERN

These consolidated financial statements (the "Financial Statements") for the years ended October 31, 2021 and 2020, 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
Grown Rogue Distribution, LLC	100% by Grown Rogue Unlimited, LLC
GR Michigan, LLC	87% by Grown Rogue Unlimited, LLC
Idalia, LLC	60% by Grown Rogue Unlimited, LLC
Canopy Management, LLC	0% (Note 1.1)
Golden Harvests, LLC	60% by Canopy Management, LLC

1.1 The Company, through its subsidiary, entered into an option to acquire an 87% controlling interest in Canopy Management LLC ("Canopy"), which held an option to acquire a 60% controlling interest in Golden Harvests, LLC which was exercised on May 1, 2021. Canopy is majority owned by the Company's CEO, who is prohibited from omitting or taking certain actions where to do so would be contrary to the economic benefits which the Company expects to derive from the aforementioned options and the investments in the underlying businesses. The Company includes Canopy in the consolidated financial results and has allocated its net loss to net loss attributable to non-controlling interest.

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

These Financial Statements are prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of the business.

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. As at the end of the year ended October 31, 2021, the Company incurred a net loss of $1,014,747 and as of that date, the Company's accumulated deficit was $21,804,349. As at October 31, 2021, the Company had working capital of $2,843,226, and has generated negative cash flows from operations since inception. These aforementioned 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 consolidated 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 consolidated financial statements.

2. BASIS OF PRESENTATION

Statement of Compliance

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These consolidated financial statements were approved and authorized for issuance by the Company's Board of Directors on February 28, 2022.

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 audited consolidated 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 statement 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 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 of all of the issued and outstanding common shares. The financial statements of subsidiaries are included in these audited consolidated financial statements from the date that control commences until the date control ceases. All intercompany balances and transactions have been eliminated upon consolidation.

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 period ended October 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.

3. SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT JUDGEMENTS

3.1 Revenue

Revenue is recognized when performance obligations under the terms of a contract with a customer are satisfied, which is upon the transfer of control of the contracted goods or provision of contracted services. Control of goods is transferred when title and physical possession of the contracted goods have been transferred to the customer, which is determined by the shipping terms and certain additional considerations. The Company does not have performance obligations subsequent to the transfer of title and physical possession of the contracted goods. Revenues from sales of goods are recognized when the transfer of ownership to the customer has occurred and the customer has accepted the product. Revenues from services are recognized when services have been provided, the income is determinable, and collectability is reasonably assured. The Company’s contract terms do not include a provision for significant post-service delivery obligations.

3.2 Inventory

Inventory is valued at the lower of cost and net realizable value. The capitalized cost for produced inventory includes the direct and indirect costs initially capitalized to biological assets before the transfer to inventory. The capitalized cost also includes subsequent costs such as materials, labor, depreciation & amortization expense on equipment involved in packaging, labelling and inspection. The total cost of inventory also includes the fair value adjustment which represents the fair value of the biological asset at the time of harvest and which is transferred from biological asset costs to inventory upon harvest. All direct and indirect costs related to inventory are capitalized as they are incurred; these costs are recorded ‘Cost of finished cannabis inventory sold’ on the statements of loss and comprehensive loss at the time cannabis is sold. The realized fair value amounts included in inventory sold are recorded as a separate line on the statements of loss and comprehensive loss.

3.3 Cost of finished cannabis inventory sold

Cost of finished cannabis inventory sold includes the value of inventory sold (policy described in Note 4.2), excluding the fair value adjustment carried from biological assets into inventory. Cost of finished cannabis inventory sold also includes the value of inventory write downs.

3.4 Biological assets

Biological assets are measured at fair value. The Company's biological assets consist of cannabis plants. The Company capitalizes all the direct and indirect costs as incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest, including direct costs, indirect costs, allocated fixed and variable overheads, and depreciation & amortization of equipment used to grow plants through the harvest of the plants. Before planting, the capitalized costs approximate fair value. After planting, fair value is estimated at the fair value of the market sales price of the finished product less costs to complete. Subsequent to harvest, the recognized biological asset amount becomes the cost basis of finished goods inventory. Unrealized gains or losses arising from changes in fair value less costs to sell during the period are included in the consolidated statement of loss and comprehensive loss as 'Unrealized fair value gain on growth of biological assets'. After sale, the amount of 'Unrealized fair value gain on growth of biological assets' sold is recognized as 'Realized fair value amounts in inventory sold'.

3.5 Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

3.6 Accounts Payable and Accrued Liabilities

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle this obligation are both probable and able to be reliably measured.

3.7 Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are members of key management, subject to common control, or can exert significant influence over the company. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3.8 Property and Equipment

Property and equipment are stated at cost less accumulated amortization and accumulated impairment losses, if any. Costs include borrowing costs for assets that require a substantial period of time to become ready for use.

Amortization is recognized so as to recognize the cost of assets less their residual values over their useful lives, using the straight-line method. Amortization begins when an asset is available for use, meaning that it is in the location and condition necessary for it to be used in the manner intended by management. The estimated useful lives, residual values and method of amortization are reviewed at each period end, with the effect of any changes in estimated useful lives and residual values accounted for on a prospective basis.

The Company capitalizes costs incurred to construct assets; when such assets are not available for use as intended by management, amortization expense is not recorded until constructed assets are placed into service.

Amortization is calculated applying the following useful lives:

Furniture and fixtures	7-10	years on a straight-line basis
Computer and office equipment	3-5	years on a straight-line basis
Production equipment and other	5-10	years on a straight-line basis
Leasehold improvements	15-40	months on a straight-line basis

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs of disposal and their value in use. Fair value is the price at which the asset could be bought or sold in an orderly transaction between market participants. In assessing value in use, the estimated cash flows are discounted to their present value using a pre tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

3.9 Intangible Assets

Intangible assets are initially measured at cost. The useful life of intangible assets is assessed as either finite or indefinite. Following the initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses, if any. If impairment indicators are present, these assets are subject to an impairment review. Amortization is calculated using the straight-line method over the estimated useful lives of the intangible assets of two to three years.

3.10 Impairment of Long-lived Assets

For all long-lived assets, except for intangible assets with indefinite useful lives and intangible assets not yet available for use, the Company reviews its carrying amount at the end of each reporting period to determine whether there is any indication that those assets have suffered an impairment loss. Where such impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of fair value less costs of disposal and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss.

Impairment losses may be reversed in a subsequent period where the impairment no longer exists or has decreased. The carrying amount after a reversal must not exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized. A reversal of impairment loss is recognized in profit or loss.

3.11 Deferred transaction costs

Deferred transaction costs represent professional fees incurred with respect to a contemplated transaction that is to be completed in a future period. The transaction costs will be recognized in profit and loss in the period in which the transaction is completed.

3.12 Share Based Compensation

Share Based Payment Transactions

Transactions with non-employees that are settled in equity instruments of the Company are measured at the fair value of the goods or services rendered. In situations where the fair value of the goods or services received by the entity as consideration cannot be reliably measured, transactions are measured at fair value of the equity instruments granted. The fair value of the share-based payments is recognized together with a corresponding increase in equity over a period that services are provided, or goods are received.

Equity Settled Transactions

The costs of equity settled transactions with employees are measured by reference to the fair value of the equity instruments at the date on which they are granted, using the Black Scholes option pricing model.

The costs of equity settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative cost is recognized for equity settled transactions at each reporting date until the vesting date reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus. No expense is recognized for awards that do not ultimately vest.

Share Issuance Costs

Costs incurred in connection with the issuance of equity are netted against the proceeds received net of tax. Costs related to the issuance of equity and incurred prior to issuance are recorded as deferred equity issuance costs and subsequently netted against proceeds when they are received.

3.13 Income Taxes

Tax expense includes current and deferred tax. This expense is recognized in profit or loss, except for income tax related to the components of other comprehensive income or equity, in which case the tax expense is recognized in other comprehensive income or equity respectively.

Current tax assets and liabilities are obligations or claims for the current and prior periods to be recovered from (or paid to) taxation authorities that are still outstanding at the end of the reporting period. Current tax is computed on the basis of tax profit which differs from net profit. Income taxes are calculated using tax rates and laws enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognized based on temporary differences between the carrying amount and the tax basis of the assets and liabilities. Any change in the net amount of deferred tax assets and liabilities is included in profit or loss. Deferred tax assets and liabilities are determined based on enacted or substantively enacted tax rates and laws that are expected to apply to taxable profit for the periods in which the assets and liabilities will be recovered or settled. Deferred tax assets are recognized when it is likely they will be realized. Deferred tax assets and liabilities are not discounted.

The Company recognizes a deferred tax asset or liability for all deductible temporary differences arising from equity securities of subsidiaries, unless it is probable that the temporary difference will not reverse in the foreseeable future and the Company is able to control the timing of the reversal.

3.14 Financial Instruments

3.14.1 Financial assets

Initial Recognition

The Company initially recognizes financial assets at fair value on the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Classification and measurement

Under IFRS 9, financial assets are initially measured at fair value. In the case of a financial asset not categorized as fair value through profit or loss ("FVTPL"), transaction costs are included. Transaction costs of financial assets carried at FVTPL are expensed in net income (loss).

Subsequent classification and measurement of financial assets depends on the Company's business objective for managing the asset and the cash flow characteristics of the asset:

- Amortized cost – Financial assets held for collection of contractual cash flows that meet the SPPI test are measured at amortized cost. Interest income is recognized as Other income (expense) in the consolidated financial statements, and gains/losses are recognized in net income (loss) when the asset is derecognized or impaired.

- Fair value through other comprehensive income ("FVOCI") – Financial assets held to achieve a particular business objective other than short term trading are designated at FVOCI. IFRS 9 also provides the ability to make an irrevocable election at initial recognition of a financial asset, on an instrument by instrument basis, to designate an equity investment that would otherwise be classified as FVTPL and that is neither held for trading nor contingent consideration arising from a business combination to be classified as FVOCI. There is no recycling of gains or losses through net income (loss). Upon derecognition of the asset, accumulated gains or losses are transferred from Other comprehensive income ("OCI") directly to Deficit.

- FVTPL – Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL.

3.14.2 Financial liabilities

The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The subsequent measurement of financial liabilities is determined based on their classification as follows:

- FVTPL – Derivative financial instruments entered into by the Company that do not meet hedge accounting criteria are classified as FVTPL. Gains or losses on these types of financial liabilities are recognized in net income (loss).

- Amortized cost – All other financial liabilities are classified as amortized cost using the effective interest method. Gains and losses are recognized in net income (loss) when the liabilities are derecognized as well as through the amortization process.

The following table summarizes the original measurement categories for each class of the Company's financial assets and financial liabilities:

Asset/Liability	Classification
Accounts receivable	Amortized cost
Cash	Amortized cost
Marketable securities	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost
Interest payable	Amortized cost
Convertible debentures	Amortized cost
Derivative liabilities	FVTPL

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 consolidated financial statements.

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The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

3.15 IFRS 16 - Leases ("IFRS 16")

On November 1, 2019, the Company adopted IFRS 16, which replaced IAS 17 – Leases and related interpretations, using the modified retrospective method which does not require restatement of prior period financial information. Accordingly, comparative information in the Company's financial statements is not restated. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize a right-of-use asset representing its right to use the underlying asset, and a lease liability representing its obligation to make lease payments.

On transition to IFRS 16, the Company elected to use the following practical expedient, as permitted under this standard:

- Grandfather the assessment of which transactions are leases and apply IFRS 16 only to contracts that were previously identified as leases under IAS 17; and

- Apply a single discount rate to a portfolio of leases with similar characteristics.

On adoption of IFRS 16, the Company has elected to record right-of-use assets based on the corresponding lease liability. Lease liabilities were measured at the present value of the remaining lease payments outstanding from commitments disclosed as at October 31, 2019, excluding short-term leases, leases of low-value assets, and variable lease payments, and discounted using the Company's incremental borrowing rate as of November 1, 2019. A reconciliation of the Company's operating lease commitments at October 31, 2019, to the Company's lease obligations as at the date of transition of November 2, 2019 is set out below:

Operating lease commitments at October 31, 2019	$ 322,100
Discounted using incremental borrowing rate	(45,669)
Lease liabilities for purchased assets	142,205
Lease obligations – November 1, 2019	$ 418,636

Expressed in United States Dollars, unless otherwise indicated

The following table summarizes the impacts of adopting IFRS 16 on the consolidated financial statements:

	Balance – October 31, 2019 $	Adoption of IFRS 16 $	Restated balance – November 1, 2020 $
Right-of-use assets	-	276,431	276,431
Property & equipment	232,059	-	232,059
Current portion of lease liability	129,876	225,862	355,738
Lease liability	12,329	50,569	62,898

Update to significant accounting policies

The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred, less any lease incentive received. The right-of-use asset is subsequently depreciated to the earlier of the end of the useful life of the right-of-use asset or the least term using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. The right-of-us asset may be adjusted for certain remeasurements of the lease liability and impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company uses a single discount rate for a portfolio of leases with similar characteristics. The lease liability is measure at the amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the amount expected to be payable under a residual value guarantee, or if there is a change in the Company's assessment of whether it will exercise a purchase, extension, or termination option.

Leases that have term of less than twelve months or leases with an underlying asset of low value are recognized as expenses in profit or loss.

Significant judgments and estimates

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event of a significant change in circumstance occurs which affects this assessment.

To determine the carrying amount of right-of-use assets and lease liabilities, the Company must estimate the incremental borrowing rate for each leased asset if the interest rate implicit in the lease cannot be readily determined. Management determines the incremental borrowing rate for each leased asset by taking into account the Company's credit standing, the guarantee, the term and the value of the underlying leased asset, as well as the economic environment in which the leased asset is operated. Incremental borrowing rates can be changed due to macroeconomic changes in the environment.

3.16 Business Combinations

A business combination is a transaction or event in which the acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the aggregate of the fair values of assets acquired, liabilities assumed, and equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date when the Company obtains control of the acquiree. The identifiable assets acquired and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair values. Goodwill represents the difference between total consideration paid and the fair value of the net identifiable assets acquired. Acquisition costs incurred are expensed through the statement of comprehensive loss.

Contingent consideration is measured at its acquisition date fair value and is included as part of the consideration transferred in a business combination, subject to the applicable terms and conditions. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 Financial Instruments with the corresponding gain or loss recognized in profit or loss.

Based on the facts and circumstances that existed at the acquisition date, management will perform a valuation analysis to allocate the purchase price based on the fair values of the identifiable assets acquired and liabilities assumed on the acquisition date. Management has one year from the acquisition date to confirm and finalize the facts and circumstances that support the finalized fair value analysis and related purchase price allocation. Until such time, these values are provisionally reported and are subject to changed. Changes to fair values and allocations are retrospectively adjusted in subsequent periods.

In determining the fair value of all identifiable assets acquired and liabilities assumed, the most significant estimates generally relate to contingent consideration and intangible assets. Management exercises judgment in estimating the probability and timing of when earn-out milestones are expected to be achieved, which is used as the basis for estimating fair value. Identified intangible assets are fair valued using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values. Asset acquisitions do not give rise to goodwill.

Management exercises judgment in determining the entities that it controls for consolidation and associated non-controlling interests. For financial reporting purposes, an entity is considered controlled when the Company has power over an entity and its ability to affect its economic return from the entity. The Company has power over an entity when it has existing rights that give it the ability to direct the relevant activities which can significantly affect the investee’s returns. Such power can result from contractual arrangements. However, certain contractual arrangements contain rights that are designed to protect the Company’s interest, without direct equity ownership in the entity, in which case non-controlling interests are recognized.

3.17 Intangible assets and goodwill

Intangible assets are recorded at cost less accumulated amortization and any impairment losses. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization of definite life intangibles is calculated on a straight-line basis over their estimated useful lives.

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash generating unit ("CGU") or group of CGUs which are expected to benefit from the synergies of the combination. Goodwill is not subject to amortization.

Goodwill and intangible assets with an indefinite life or not yet available for use are tested for impairment annually at year-end, and whenever events or circumstances that make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose all or a portion of a reporting unit. Finite life intangible assets are tested whenever there is an indication of impairment.

Goodwill and indefinite life intangible assets are tested for impairment by comparing the carrying value of each CGU containing the assets to its recoverable amount. Indefinite life intangible assets are tested for impairment by comparing the carrying value of each CGU containing the assets to its recoverable amount. Goodwill is tested for impairment based on the level at which it is monitored by management, and not at a level higher than an operating segment. The Company's goodwill is allocated to the cannabis operating segment and the U.S. cannabis and hemp-derived market CGU. The allocation of goodwill to the CGUs or group of CGUs requires the use of judgment.

An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds its recoverable amount. The recoverable amounts of the CGUs' assets are determined based on either fair value less costs of disposal or value-in-use method. There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the CGU, given the necessity of making key economic assumptions about the future. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill, and any excess is allocated to the carrying value of assets in the CGU. Any impairment is recorded in profit and loss in the period in which the impairment is identified. A reversal of an asset impairment loss is allocated to the assets of the CGU on a pro rata basis. In allocating a reversal of an impairment loss, the carrying amount of an asset shall not be increased above the lower of its recoverable amount and the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior period. Impairment losses on goodwill are not subsequently reversed.

3.18 Adoption of new accounting pronouncements

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued "Definition of a Business (Amendments to IFRS 3)". The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment provides an assessment framework to determine when a series of integrated activities is not a business. The amendments are effective for business combinations occurring on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The Company adopted the Amendments to IFRS 3 effective November 1, 2020, with no impact to the Company's consolidated financial statements.

Expressed in United States Dollars, unless otherwise indicated

3.19 New accounting pronouncements

The following IFRS standards have been recently issued. Pronouncements that are irrelevant or not expected to have a significant impact have been excluded.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2022. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

4. BIOLOGICAL ASSETS

Biological assets consist of cannabis plants. The reconciliation of changes in the carrying amounts of biological assets as at October 31, 2021 and October 31, 2020 are as follows:

	October 31, 2021	October 31, 2020
	$	$
Beginning balance	250,690	156,589
Purchased cannabis plants	2,969,773	724,878
Allocation of operational overhead	1,430,876	1,130,712
Change in FVLCTS due to biological transformation	1,824,225	1,515,492
Transferred to inventory upon harvest	(5,287,012)	(3,276,981)
Ending balance	**1,188,552**	**250,690**

The Company measures its biological assets at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price per gram 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 basis according to the stage of growth and estimated costs to complete cultivation.

Expressed in United States Dollars, unless otherwise indicated

			Impact of 20% change	
	October 31, 2021	October 31, 2020	October 31, 2021	October 31, 2020
Estimated selling price per pound ($/pound)	1,130	1,123	219,428	48,720
Estimated stage of growth (%)	51%	63%	189,943	38,104
Estimated flower yield per harvest (pound)	1,915	216	189,943	38,104

5. INVENTORY

The Company's inventory composition is as follows:

	October 31, 2021	October 31, 2020
	$	$
Raw materials	22,788	8,588
Work in process	2,363,487	919,464
Finished goods	920,037	196,308
Ending balance	**3,306,312**	**1,124,360**

The cost of inventories included as an expense and included in cost of goods sold for the year ended October 31, 2021, was $3,997,617 (2020 - $2,155,507).

6. MARKETABLE SECURITIES

During the period 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, for a fair value of $848,011 (Note 15.8). 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 October 31, 2021, the fair value of the shares was $610,092, based upon the publicly quote price of PBIC shares. The Company recorded an unrealized loss on the shares in the amount of $35,902 (2020 - $263,483) and foreign currency translation gain of $60,959 (2020 - $507) during year ended October 31, 2021.

Expressed in United States Dollars, unless otherwise indicated

7. BUSINESS COMBINATIONS

7.1 Golden Harvests, LLC ("Golden Harvests")

In February 2020, the Company, through its subsidiary GR Michigan, LLC, signed an Option to Purchase Agreement (the "Option Agreement") to acquire a 60% controlling interest in Golden Harvests, LLC ("Golden Harvests"). Golden Harvests is a Michigan-based, fully licensed, and operating cultivation company located in Bay City, Michigan. During the year ended October 31, 2021, the Company's majority controlled subsidiary GR Michigan, LLC, terminated the Option Agreement. Simultaneously with the termination of the Option Agreement, a new entity, Canopy Management, LLC ("Canopy"), majority-owned by the CEO, signed an option agreement to purchase Golden Harvests under similar terms (the "New Option"). Canopy has already been approved by the State of Michigan for licensing and this facilitated the Company's ability to accelerate its option exercise to obtain a 60% interest in Golden Harvests. The Company has an option to acquire 87% of the CEO's membership interest in Canopy, 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 in the Option Agreement. Canopy is majority owned by GRIN's CEO, who has a fiduciary responsibility to the Company and is prohibited from omitting or taking certain actions relating to Canopy where to do so would be contrary to the economic benefits which the Company expects to derive from the acquisition of Golden Harvests. Canopy acquired a 60% controlling interest in Golden Harvests in May 2021, and we expect to exercise our option to acquire 87% of Canopy around near the end of calendar year 2021 or early 2022, and until we exercise the option to acquire 87% of Canopy, it will be consolidated with a 100% non-controlling interest.

On May 1, 2021, the Company acquired Golden Harvests, a United States company based in Michigan specialize in the cultivation and wholesale of adult use and recreational flower. The Company acquired Golden Harvests by exercising an option to acquire a controlling 60% interest in Golden Harvests.

The Company acquired a controlling 60% interest in Golden Harvests for aggregate consideration of $1,007,719 comprised of 1,025,000 common shares of the Company with a fair value of $158,181 and cash payments of $849,536. Consideration remaining to be paid at the date of these Financial Statements included cash payments of $358,537 and 200,000 common shares with an aggregate fair value of $35,806.

Total consideration	Common shares	$
Cash paid	--	479,000
Cash payable	--	370,537
Common shares issued	825,000	122,376
Common shares issuable	200,000	35,806
Total	**1,025,000**	**1,007,719**

Expressed in United States Dollars, unless otherwise indicated

Net identifiable assets acquired (liabilities assumed)	**$**
Cash	386,128
Accounts receivable	155,067
Prepaids and other current assets	91,464
Intangible asset: grow licenses	154,000
Biological assets	477,672
Inventory	309,439
Property, plant, and equipment	1,311,917
	2,885,687
Accounts payable and accrued liabilities	(542,630)
Notes payable	(227,056)
Lease liabilities	(564,309)
Income taxes	(117,500)
Net identifiable assets acquired	**1,434,192**

Net cash acquired for the year ended October 31, 2021, was $76,128, which is acquired cash of $386,128 net of payments of $310,000.

Purchase price allocation	**$**
Net identifiable assets acquired	1,434,192
Goodwill	245,339
	1,679,531
Purchase consideration (60% controlling interest)	**1,007,719**

Net cash flows	**Prior to November 1, 2020**	**Year ended October 31, 2021**	**Future payments**	**Total**
	$	$	$	$
Cash consideration paid prior to October 31, 2020	(175,000)	-	-	(175,000)
Cash consideration paid after November 1, 2020	-	(310,000)	-	(310,000)
Cash acquired	-	386,128	-	386,128
	(175,000)	76,128	-	(98,872)
Future cash payments	-	-	(358,537)	(358,537)
Payments against acquisition consideration payable	-	(6,000)	-	(6,000)
Net cash flows upon completion of all payments	**(175,000)**	**70,128**	**(358,537)**	**(463,409)**

Goodwill arising from the acquisition represents expected synergies, future income growth, and other intangibles that do not qualify for separate recognition. The goodwill arising on this acquisition is expected to be fully deductible for tax purposes.

Management continues to gather relevant information that existed at the acquisition date to determine the fair value of the net identifiable assets acquired and liabilities assumed. As such, the initial purchase price was provisionally allocated based on the Company's estimated fair value of the identifiable assets acquired and the liabilities assumed on the acquisition date. The values assigned are, therefore, preliminary and subject to change. Management continues to refine and finalize its purchase price allocation for the fair value of identifiable intangible assets and the allocation of goodwill.

For the year ended October 31, 2021, Golden Harvests accounted for $3.9 million in revenue and $1.4 million in reduction to net loss. If the acquisition had been completed on November 1, 2020, the Company estimates it would have recorded an increase of $6.4 million in revenues and reduction to net loss of $1.6 million.

8. OTHER INVESTMENTS AND PURCHASE DEPOSITS

8.1 Investment in assets sold by High Street Capital Partners, LLC ("HSCP"):

On February 5, 2021, the Company agreed to acquire substantially all of the assets of the growing and retail operations (the "HSCP Transaction") of HSCP, for an aggregate total of $3,000,000 in consideration, payable in a series of tranches, subject to receipt of all necessary regulatory and other approvals. A payment of $250,000 is due at closing and the payment of the remaining purchase price is dependent on the timing of the closing. If the closing takes place before the 12-month anniversary date of the February 5, 2021 effective date, the remaining balance of $2,000,000 will be paid by a promissory note payable. If the closing takes place after the 12-month anniversary date but before the 18-month anniversary date, the remaining balance is to be paid $750,000 in cash and $1,250,000 by a promissory note payable. If the closing takes place later than the 18-month anniversary date, the remaining $2,000,000 is to be paid in cash. The Company also executed a management services agreement with HSCP ("HSCP MSA"), pursuant to which the Company agreed to pay $21,500 per month as consideration for 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, and 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 has no involvement with the retail operations contemplated in the agreement until the HSCP Transaction is completed.

During the year ended October 31, 2021, the Company paid $750,000 towards the total consideration of $3,000,000 under the HSCP Transaction.

Expressed in United States Dollars, unless otherwise indicated

8.2 The balance of $187,812 at October 31, 2020, represents payments made towards the acquisition of Golden Harvests (Note 7).

9. ACCRUED LIABILITIES

The following table summarizes the liability payable to creditors who agreed to defer settlement for longer than one year from October 31, 2021 and 2020:

	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	225,799	164,017	389,816
Amounts settled	(162,899)	(103,504)	(266,403)
Balance at October 31, 2021	**62,900**	**60,513**	**123,413**

10. LEASES

The following is a continuity schedule of lease liabilities:

Lease liabilities	October 31, 2021	October 31, 2020
	$	$
Balance - beginning	116,907	142,205
Adoption of IFRS 16	-	276,431
Additions	2,642,588	68,035
Disposals	(18,513)	-
Interest expense on lease liabilities	132,371	65,433
Payments	(512,914)	(435,197)
Balance - ending	**2,360,438**	**116,907**
Current portion	624,935	100,277
Non-current portion	1,735,503	16,630

Lease additions during the year ended October 31, 2021, included right-of-use property rental agreements totaling approximately $2.6 million, resulting from a property lease acquired (Note 7); a new lease agreement for an outdoor farm; and remeasurement of leases following management's assessments that operations were reasonably certain to continue for longer durations at ongoing locations.

Expressed in United States Dollars, unless otherwise indicated

11. PROPERTY AND EQUIPMENT

	Computer and Office Equipment	Production Equipment and Other	Construction in Progress	Leasehold Improvements	Right-of-use Assets	Total
COST	$	$	$	$	$	$
Balance - October 31, 2019	55,960	156,781	476,783	1,238,680	358,608	2,286,812
Additions	1,031	215,030	90,342	251,355	344,466	902,224
Transfers	(2,061)	2,061	(512,719)	512,719	-	-
Disposals	(39,764)	(17,350)	(9,331)	(947)	(52,063)	(119,455)
Balance - October 31, 2020	15,166	356,522	45,075	2,001,807	651,011	3,069,581
Additions	-	22,939	-	2,255,594	2,040,029	4,318,562
Cost basis of assets acquired	1,117	146,756		677,339	680,482	1,505,694
Transfers	-	-	(45,075)	45,075	-	-
Disposals	-	(15,049)	-	(1,727)	(43,490)	(60,266)
Balance - October 31, 2021	16,283	511,167	-	4,978,088	3,328,032	8,833,570
ACCUMULATED AMORTIZATION						
Balance - October 31, 2019	19,701	37,016	-	638,629	126,549	821,895
Amortization for the period	6,360	41,397	-	810,619	305,365	1,163,741
Transfers	(2,405)	2,405	-	-	-	-
Disposals	(8,490)	(7,301)	-	-	(52,063)	(67,854)
Balance - October 31, 2020	15,166	73,517	-	1,449,248	379,851	1,917,782
Amortization for the period	979	77,766	-	527,524	406,773	1,013,042
Amortization of assets acquired	138	52,368		40,955	100,316	193,777
Disposals	-	(7,548)	-	(698)	(25,369)	(33,615)
Balance – October 31, 2021	16,283	196,103	-	2,017,029	861,571	3,090,986
NET BOOK VALUE						
As at October 31, 2020	-	283,005	45,075	552,559	271,160	1,151,799
As at October 31, 2021	**-**	**315,064**	**-**	**2,961,059**	**2,466,461**	**5,742,584**

For the year ended October 31, 2021, amortization capitalized was $833,027 (2020 - $957,905) and expensed amortization was $180,015 (2020 - $205,836).

Expressed in United States Dollars, unless otherwise indicated

12. INTANGIBLE ASSETS AND GOODWILL

Indefinite lived intangible assets and goodwill	Cost ($)
Grower licenses	154,000
Goodwill	245,338
	399,338

The Company's intangible assets include grower licenses and goodwill acquired during the year ended October 31, 2021 (Note 7). Net amortizable intangible assets of $4,997 at October 31, 2020, included the cost of the Company's website of $7,997 less accumulated amortization of $3,000.

13. LONG-TERM DEBT

Transactions related to the Company's long-term debt during the years ended October 31, 2021 and October 31, 2020, include the following:

Movement in long-term debt	$
Balance - October 31, 2019	150,000
Additions (Notes 13.7, 13.8)	615,000
Interest accretion	260,940
Payments	(226,126)
Balance - October 31, 2020	799,814
Additions (Notes 13.1, 13.2, 13.3, 13.4, 13.5,13.6)	1,452,056
Interest accretion	565,506
Reclassification to acquisition consideration payable (Notes 7, 13.4)	(100,000)
Payments	(507,715)
Balance - October 31, 2021	**2,209,661**
Current portion	843,900
Non-current portion	1,365,761

13.1 On November 23, 2020, debt was issued by Grown Rogue Distribution, LLC with a principal amount of $125,000, interest paid monthly 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%.

13.2 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. The note was loaned by the former COO of the Company.

13.3 On January 27, 2021, debt was issued by Grown Rogue Distribution, LLC with a principal amount of $250,000, interest paid monthly 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%.

13.4 On February 4, 2021, a note payable for $100,000 was issued to satisfy a milestone payment due to the seller of Golden Harvests. The note is payable 12 months from the issue date and accrues interest at $2,000 per month. This note payable was reclassified to acquisition consideration payable during the year ended October 31, 2021.

13.5 On May 1, 2021, the Company assumed a note payable owed by Golden Harvests (Note 8) with a carrying value of $227,056. The note is for a principal amount of $250,000, interest paid monthly at 10% per annum, and a maturity date of January 14, 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 33%.

13.6 On September 9, 2021, the Company entered into an unsecured promissory note agreement with PBIC, a related party, in the amount of $800,000 which was to be fully advanced by September 30, 2021. During the year ended October 31, 2021, $600,000 was received. This note matures on December 15, 2022, with payments commencing January 15, 2022, and continuing through and including December 15, 2022. The terms of the note require the Company to make certain participation payments to the lender based on a percentage monthly sales of cannabis flower sold from the Company's sun-grown A-flower 2021 harvest (the "Harvest"), less 15% of such amount to account for costs of sales. The percentage will be determined by dividing 2,000 by the total volume of pounds of the Harvest, proportionate to principal proceeds. A portion of these payments will be used to pay down the outstanding principal on a monthly basis. The note will automatically terminate when the full amount of any outstanding principal plus the applicable participation payments are paid prior to the maturity date. Should the participation payments fully repay the principal amount prior to the maturity date then the note will automatically terminate. The note bears no stated rate of interest, and in the event of default, the note will bear interest at 15% per annum. The note is reported at amortized cost using an effective interest rate of approximately 1.9%.

Accrued interest payable on long-term debt at October 31, 2021 was $13,750 (October 31, 2020 - $9,367).

Transactions related to the Company's long-term debt for the year ended October 31, 2020, include the following:

13.7 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 was repaid. This amount was owed to the CEO of the Company.

13.8 Debt issuance by GR Michigan, LLC

On March 20, 2020: Principal 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 GH (Note 7). Once the principal is repaid, each investor will receive a monthly royalty of 1% per $100,000 invested of cash receipts for sales by GH (Note 7) (the "Royalty"). The Royalty commences on the date that repayments equal to principal have been made 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 year ended October 31, 2021 was $451,066 (2020 - $260,940) calculated using an effective interest rate of 73%. During the year ended October 31, 2021, $450,421 (2020 - $75,126) was repaid against this debt.

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.

Expressed in United States Dollars, unless otherwise indicated

14. CONVERTIBLE DEBENTURES

Transactions related to the Company's convertible debentures during the years ended October 31, 2021 and 2020, include the following:

Movements in Convertible Debentures	**$**
Balance - October 31, 2019	1,995,609
Conversion to common shares	(37,733)
Interest accretion	246,015
Deemed extinguishment	(2,147,550)
Effects of foreign exchange	(56,341)
Balance after deemed extinguishment	-
Deemed re-issuance	2,464,241
Fair value of derivative liability	(787,264)
Conversion to common shares	(75,130)
Interest accretion	146,964
Payments	(44,138)
Effects of foreign exchange	35,005
Balance - October 31, 2020	1,739,678
Interest accretion	510,678
Conversion to common shares (Note 14.1)	(1,042,951)
Payments	(1,312,722)
Effects of foreign exchange	105,317
Balance – October 31, 2021	**-**

14.1 During the year ended October 31, 2021, holders converted an aggregate total of convertible debenture principal of $1,042,951 (CAD$1,311,111) at CAD$0.125 per share into 10,488,884 common shares.

14.2 Modification of terms during the year ended October 31, 2020 and conversion

During the year ended October 31, 2020, two conversions of principal were recorded, totaling $112,863 (CAD$150,000), into a total of 1,038,095 common shares.

During the year ended October 31, 2020, the Company extended the maturity of all convertible notes outstanding, such that the following terms apply to all convertible notes outstanding as at October 31, 2020.

- Original principal loan amount of $2,169,135 (CAD$2,950,000) due on November 1, 2021 (October 31, 2020 balance was $2,138,925 (CAD$2,850,000);
- Interest payable at 8% per annum;
- Convertible at CAD$0.125 into shares of the Company;
- If at any time while the debentures are outstanding the Company issues securities for cash in a private placement at a price per share lower than CAD$0.125, the conversion price for any unconverted portion of the convertible debentures would be reduced to such lower price per security; and
- Convertible at CAD$0.05 if the Company defaults on debt service.

Pursuant to the modification of the debentures, the following warrant transactions occurred:

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- Cancellation of 6,818,182 warrants issued pursuant to the convertible debenture agreements outstanding prior to the modification on July 10, 2020;
- Issuance of 6,818,182 new warrants with as exercise price of CAD$0.16 and an expiration date of November 1, 2021 (Note 16.4);
- The fair value of the newly issued warrants was recognized as an expense of debt restructuring on the statement of loss and comprehensive loss for the year ended October 31, 2020;
- Issuance of 1,590,909 warrants as part of the consideration to the creditors for extending the maturity of the debt (Note 16.4). The fair value of these warrants was recognized as an expense of debt restructuring on the statement of loss and comprehensive loss for the year ended October 31, 2020.

As described above, the conversion price of the debenture is subject to change based upon whether a lower-than-CAD$0.125 private placement of equity is completed. This conversion feature was determined to be a derivative liability in accordance with IFRS 9. The value of the derivative liability as at October 31, 2020 was estimated to be $787,264, using the Black-Scholes pricing model with the following assumptions:

- Expected dividend yield Nil
- Risk-free interest rate 0.24%
- Expected life 1.0 years
- Expected volatility 90%

The derivative liability will be remeasured at fair value through profit and loss at each reporting period using the Black-Scholes pricing model. The fair value as at October 31, 2020, was $583,390 (2019 - $249,320), and the unrealized gain for the year ended October 31, 2020 as a result of remeasurement was $221,820.

The fair value of the deemed reissuance was allocated as follows:

	CAD$	USD$
Convertible debentures, principal	2,280,671	1,676,977
Conversion option	1,070,670	787,264
	3,351,341	**2,464,241**

The discounted value of the loan after the modifications of terms was more than 10% lower than the carrying value of the loan and was therefore deemed an extinguishment and reissuance under IFRS 9. The costs of completing the modification were expensed.

The loss of restructuring this debt, as recognized on the statement of loss and comprehensive loss for the year ended October 31, 2020, was comprised of the following:

Composition of loss from debt restructuring	$
Difference: carrying value of deemed prior debt and deemed reissued debt	337,997
Replacement warrants - quantity - 6,818,182 (Note 16.4)	346,792
Consideration warrants - quantity - 1,590,909 (Note 16.4)	80,918
Total loss from deemed restructuring	765,707

The Company recorded a gain of $244,572 on the derecognition of the Company's previously recorded derivative liability on the modification of the debt.

15. SHARE CAPITAL

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 year ended October 31, 2021, the following share transactions occurred:

15.1 The Company issued 534,294 common shares with a fair value of $95,294 for employment compensation, director services and consulting services.

15.2 On February 5, 2021, the Company closed a non-brokered private placement of an aggregate total of 10,231,784 common shares with a fair value of $1,225,000. The private placement was raised in two tranches. In the first tranche, 2,031,784 common shares were issued for proceeds of $200,000. In the second tranche, 8,200,000 common shares and 8,200,000 warrants to purchase one common share were issued for proceeds of $1,025,000. All proceeds of the private placement were allocated to share capital, and costs of $15,148 incurred for this private placement were allocated to share capital.

15.3 The Company issued 25,000 shares with a fair value of $2,103 in order to extend an option payment as part of the Company's acquisition of Golden Harvests (Note 7).

15.4 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 to support Golden Harvests' business development.

15.5 The Company issued 600,000 common shares with an aggregate fair value of $107,461 to make payments towards the acquisition of Golden Harvests (Note 7). Of the 600,000 common shares issued, 200,000 common shares were issued to satisfy a milestone payment; 200,000 common shares were issued to satisfy a milestone payment; and 200,000 common shares were issued to extend the due date of a milestone payment.

15.6 On March 5, 2021, The Company announced the 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 CAD$0.225 (the “Issue Price”) per Special Warrant for aggregate gross proceeds of approximately $3.7 million (CAD$4,737,800) (the “Offering”). Each Special Warrant entitled 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 was comprised of one common share of the Company and one warrant to purchase one common share of the Company. Each Special Warrant entitled the holder to receive upon the exercise or deemed exercise thereof, at no additional consideration, 1.10 Units (instead of one (1) Unit), if the Company had not received a receipt for a final short form prospectus qualifying distribution of the common shares and warrants (the “Qualifying Prospectus”) from the applicable securities regulatory authorities (the “Securities Commissions”) on or before April 5, 2021.

Each Special Warrant was to be deemed exercised on the date that was the earlier of: (i) the date that was three (3) days following the date on which the Company obtained receipt from the Securities Commissions for the Qualifying Prospectus underlying the Special Warrants and (ii) July 6, 2021. The Company obtained receipt for the Qualifying Prospectus on April 26, 2021. Accordingly, on April 30, 2021, the Company issued 23,162,579 Units, comprised of 23,162,579 common shares and 23,162,579 warrants to purchase one common share. The warrants entitle the holder to purchase one common share at an exercise price of CAD$0.30 for a period of two years.

Proceeds of $3,738,564 and expenses of $485,722 were allocated to share capital; also allocated to share capital were the expenses for fair value of Agent Warrants (Note 16) of $210,278.

15.7 The holders of convertible debentures (Note 14) converted an aggregate total of convertible debenture principal of $1,042,951 (CAD$1,311,111) at CAD$0.125 per share into 10,488,884 common shares with an aggregate fair value of $916,290. The value of derivative liabilities settled with the conversions allocated to equity was $1,833,731.

During the year ended October 31, 2020, the following share transactions occurred:

15.8 The Company issued 15,000,000 equity units (each unit comprised of one common share and one warrant to purchase one common share) to PBIC, of which $564,147 was recorded in share capital and $520,188 was allocated to warrants (Notes 16.2 and 16.3). Issuance costs of $11,508 were recognized in share capital and $5,083 in contributed surplus. The net proceeds from this issuance were $1,067,744.

In addition, PBIC and the Company entered into subscriptions agreements to exchange each other’s shares (the "Share Swap”). In connection with the Share-Swap agreement, the Company issued 15,000,000 common shares resulting in an aggregate fair value of $848,011.

As part of the Share Swap, each of PBIC and Grown Rogue have signed a voting and resale agreement providing that each party will be required to vote the shares acquired under the Share Swap as recommended by the other party and will be restricted from trading the shares for a period of 18 months.

The private placement agreement with PBIC gives PBIC the pre-emptive right to participate in future offerings of the Company to maintain its ownership share of the Company. In addition, the Company has agreed to nominate one board member of the Company as recommended by PBIC at future shareholder meetings and the ability, if PBIC does not have its nominee on Grown Rogue’s board of directors, to appoint a board observer.

Expressed in United States Dollars, unless otherwise indicated

15.9 Issuance of 200,000 common shares, with a fair value of $12,812, issued to the owner of GH (Note 7.1).

15.10 Issued 1,153,095 common shares, of which 1,038,095 represented convertible debt conversions with a value of $112,863 (Note 14.2) and 115,000 shares, with a value of $9,746, which represented consideration for long-term debt.

15.11 As consideration for services provided, the Company issued 2,300,000 common shares with a fair value of $163,543.

15.12 The Company issued 909,386 shares to employees for compensation with a fair value of $76,797.

16. WARRANTS

The following table summarizes the warrant activities for the years ended October 31, 2021 and October 31, 2020:

	Number	Weighted Average Exercise Price (CAD$)
Balance - October 31, 2019	27,584,605	0.53
Issued pursuant to private placement (Note 16.2)	5,000,000	0.13
Issued pursuant to private placement (Note 16.3)	10,000,000	0.13
Expired	(17,183)	(14.05)
Cancellation of prior warrants associated with convertible debentures (Note 16.4)	(6,818,182)	0.55
Issuance of new warrants associated with convertible debentures (Note 16.4)	6,818,182	0.16
Consideration warrants for convertible debenture maturity extension (Note 16.4)	1,590,909	0.16
Balance - October 31, 2020	44,158,331	0.33
Issuance pursuant to private placement (Note 15.2)	8,200,000	0.20
Issuance pursuant to the Offering (Note 15.6)	23,162,579	0.30
Expiration of broker warrants	(757,125)	0.44
Expiration of warrants	(17,843,998)	0.55
Balance – October 31, 2021	**56,919,787**	**0.22**

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

Exercise price (CAD$)	Warrants outstanding	Remaining contractual life (years)	Expiry date
$ 0.16	8,409,091	0.0	November 1, 2021
0.13	5,000,000	0.3	February 10, 2022
0.13	10,000,000	0.5	May 15, 2022
0.20	8,200,000	1.3	February 5, 2023
0.30	23,162,579	1.3	March 5, 2023
0.44	2,148,117	1.7	June 28, 2023
$ 0.22	**56,919,787**	**0.9**	

Expressed in United States Dollars, unless otherwise indicated

16.1 Agent Warrants

On March 5, 2021, in connection with the Offering described at Note 15.6, as consideration for the services rendered by the agent (the "Agent"), the Company issued to 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") for no additional consideration. As consideration for certain advisory services provided in connection with the Offering, the Company issued to the Agent an aggregate of 113,500 advisory warrants (the "Advisory Warrants") exercisable to acquire 113,500 Compensation Options for no additional consideration. The Broker Warrants and Advisory Warrants are collectively referred to as the "Agent Warrants."

Each Compensation Option entitles the holder thereof to purchase one unit of the Company (a "Compensation Unit") at the Issue Price of CAD$0.225 for a period of twenty-four (24) months. Each Compensation Unit is 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 at a price of CAD$0.30 for twenty-four (24) months. The following table sets out the Agent Warrants issued and outstanding at October 31, 2021:

Exercise price (CAD$)	Agent Warrants outstanding	Remaining contractual life (years)	Expiry date
$ 0.225	1,241,258	1.3	March 5, 2023

The fair value of the Agent Warrants of $210,278 was allocated to share capital. The Black-Scholes pricing assumptions used in the valuation of the Agent Warrants were as follows:

- Expected dividend yield Nil%
- Risk-free interest rate 0.92%
- Expected life of Agent Warrant 2 years
- Expected life of underlying warrant 1.99 years
- Expected volatility 100%

During the year ended October 31, 2020, the Company:

16.2 Issued 5,000,000 warrants in February 2020 to subscribers of the offering disclosed in Note 15.8. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of CAD$0.125 per unit for a period of 24 months.

The fair value of the warrants was $138,119 which was the residual value of the offering after the fair value of the shares on the transaction date.

16.3 Issued 10,000,000 warrants in May 2020 to subscribers of the offering disclosed in Note 15.8. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of CAD$0.13 per unit for a period of 24 months.

The fair value of the warrants was $382,069, which was the residual value of the offering after the fair value of the shares on the transaction date.

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16.4 Issued 6,818,182 replacement warrants and 1,590,909 warrants (totaling 8,409,091) to the creditors of the July 10, 2020 debt agreement described at Note 14.2. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of CAD$0.16 with an expiration date of November 1, 2021.

The fair value of the warrants of $424,645 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 0.30%
- Expected life 1.3 years
- Expected volatility 131%

17. STOCK OPTIONS

The following table summarizes the stock option movements for the years ended October 31, 2021, and October 31, 2020:

	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	3,085,000	0.20
Forfeitures by service providers	(65,000)	0.15
Forfeitures by employees	(965,000)	0.15
Forfeitures by employees	(10,000)	0.22
Balance – October 31, 2021	**5,765,000**	**0.20**

17.1 During the year ended October 31, 2021, 3,085,000 options were granted to employees.

The fair value of the options granted during the year ended October 31, 2021, was approximately $272,918 (CAD$343,034) which was estimated at the grant dates based on the Black-Scholes pricing model, using the following assumptions:

- Expected dividend yield Nil%
- Risk-free interest rate 0.55%
- Expected life 4.0 years
- Expected volatility 98%

17.2 During the year ended October 31, 2020, the Company granted options to purchase 3,575,000 common shares of the Company to employees. Each option allows the holder to purchase one common share of the Company at a price of CAD$0.15 at any time until July 9, 2024.

The fair value of the options granted was CAD$432,922. The value of the options of vested during the year ended October 31, 2020, was $240,079, which was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expressed in United States Dollars, unless otherwise indicated

- Expected dividend yield Nil%
- Risk-free interest rate 0.25%
- Expected life 4.0 years
- Expected volatility 131%

The vesting terms of the options granted during the year ended October 31, 2021, are set out in the table below:

Number granted	Vesting terms
500,000	½ on grant date, ½ on first anniversary of grant date
1,000,000	½ on grant date, ½ seven months after grant date
500,000	½ six months after grant date, ½ on first anniversary of grant date
450,000	⅓ on each anniversary of grant date
400,000	½ on first anniversary of grant date, ½ of anniversary of grant date
235,000	On first anniversary of grant date
3,085,000	

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

Exercise price (CAD$)	Options outstanding	Number exercisable	Remaining Contractual Life (years)	Expiry period
$ 0.44	500,000	500,000	0.2	January 2022
0.15	2,190,000	1,912,500	2.7	July 2024
0.15	200,000	100,000	3.1	November 2024
0.15	500,000	250,000	3.1	December 2024
0.28	1,075,000	250,000	3.5	April 2025
0.16	1,300,000	500,000	3.6	May 2025
0.20	**5,765,000**	**3,512,500**	**2.9**	

18. CHANGES IN NON-CASH WORKING CAPITAL

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

Years ended October 31,	2021	2020
	$	$
Accounts receivable	(412,060)	(37,698)
Inventory & biological assets	(1,359,567)	142,454
Prepaid expenses and other assets	(196,261)	14,158
Accounts payable and accrued liabilities	(294,846)	(133,516)
Interest payable	4,383	(46,462)
Unearned revenue	-	(35,000)
Deferred rent	(10,494)	-
Income taxes payable	137,131	-
Total	**(2,131,714)**	**(96,064)**

19. SUPPLEMENTAL CASH FLOW DISCLOSURE

Years ended October 31,	2021	2020
	$	$
Interest paid	168,924	228,224
Fair value of common shares issued & issuable for services	133,826	240,340
Fair value of common shares issued to GH	109,564	-
Fair value of common shares issued to GH creditor	36,310	-
Right-of-use assets acquired through leases (Note 10)	2,642,588	68,035
Conversion of debenture into common shares	916,290	112,863
Derivative liability recognized as contributed surplus upon debenture conversion	1,833,731	-

Expressed in United States Dollars, unless otherwise indicated

20. RELATED PARTY TRANSACTIONS

During the year ended October 31, 2021, the Company incurred the following related party transactions:

20.1 Through its wholly owned subsidiary, GRU Properties, LLC, the Company leased a property located in Trail, Oregon ("Trail") owned by the Company's President and CEO. The lease was extended during the year ended October 31, 2021, with a term through December 31, 2025. Lease charges of $73,000 were incurred for the year ended October 31, 2021 (2020 $77,000). The Company has $Nil (October 31, 2020 $45,000) owing under this lease at October 31, 2021 from deferred payments previously reported as non-current liabilities. The lease liability balance for Trail at October 31, 2021, was $242,228 (October 31, 2020 - $12,532). During the year ended October 31, 2021, the Company leased a property which is beneficially owned by the CEO and is located in Medford, Oregon ("Lars") with a term through June 30, 2026. Lease charges of $60,000 (2020 - $nil) were incurred for the year ended October 31, 2021. The lease liability for Lars at October 31, 2021, was $727,885 (2020 - $nil). Also during the year ended October 31, 2021, the CEO leased equipment to the Company, which had a balance due of $33,260 at October 31, 2021. Payments of $17,802 were made against the equipment leases during the year ended October 31, 2021. Leases liabilities payable to the CEO were $1,003,373 in aggregate at October 31, 2021 (October 31, 2020 - $39,479).

The CEO earns a royalty of 2.5% of sales of flower produced at Trail. This royalty terminates upon the final sale of flower from Trail which was planted during the year ended October 31, 2020. The CEO earned royalties of $19,035 during the year ended October 31, 2021 (2020 - $19,972).

The Company settled a total of $162,899 in long-term accrued liabilities due to the CEO by way of a payment of $62,899 and $100,000 attributed to the CEO's subscription to a non-brokered private placement on February 5, 2021 (Note 15.2).

20.2 The Company incurred expenses of $58,020 (2020 - $59,500) for services provided by the spouse of the CEO, who is employed as the Company's Community Relations manager. At October 31, 2021, accounts and accrued liabilities payable to this individual were $1,154 (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.

20.3 Key management personnel consists of the President and CEO; the Senior Vice President of Grown Rogue Unlimited, LLC (formerly the CFO of Grown Rogue Unlimited, LLC); the former Chief Market Officer ("CMO"); the former Chief Operating Officer ("COO")*; the Chief Accounting Officer ("CAO")**; and the CFO of the Company. The compensation to key management is presented in the following table:

Year ended October 31,	2021	2020
	$	$
Salaries and consulting fees	875,058	577,774
Share-based compensation	70,040	60,929
Stock option expense	64,436	144,639
Total	**1,009,534**	**783,342**

*COO was appointed subsequent to April 30, 2021, and was paid & compensated prior to appointment; compensation for the year ended October 31, 2021, is included in the table above for comparability to past & ongoing expenses.

**CAO was promoted to CFO in September 2021.

Expressed in United States Dollars, unless otherwise indicated

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 CMO; and 250,000 options to the CAO. During the year ended October 31, 2021, 500,000 options were granted to the COO.

Compensation to directors during the year ended October 31, 2021, included common share issuances of 100,908 common shares with a fair value of $14,187 (2020 – 1,200,000 common shares with a fair value of $82,094) and fees of $18,000 (2020 - $18,000).

Accounts payable, accrued liabilities and leases payable due to key management at October 31, 2021, totaled $1,199,826 (2020 - $441,424); these balances include the accrued liabilities described at Note 10 and the leases payable described at Note 20.1.

20.4 Debt balances and movements with related parties

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

	CEO	Senior VP of GRU	Director	COO	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	-	-	-	150,000	150,000
Interest	37,589	75,178	112,767	13,750	239,284
Payments	(33,543)	(67,087)	(100,630)	-	(201,260)
Balance – October 31, 2021	**65,539**	**131,078**	**196,617**	**163,750**	**556,984**

Pursuant to the loan and related 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% ownership interests in GR Michigan LLC, respectively; third parties obtained 4% as part of the agreements, such that GR Michigan has a 13% non-controlling interest (Note 26.3). These parties, except the CEO, obtained the same interests in Canopy Management, LLC; the CEO obtained 92.5% of Canopy Management (Note 26.4).

20.5 On November 23, 2020, a director, prior to his directorship, purchased 6.25 newly issued equity units of Grown Rogue Distribution, LLC (Note 26.5) for $250,000, out of the total of 11.875 such units issued during the year ended October 31, 2021. On April 30, 2021, the Company purchased these units for consideration of 1,953,125 common shares with a fair value of $349,809.

20.6 Related party subscriptions to February 5, 2021, non-brokered private placement

The following table sets out related party subscriptions to the February 5, 2021, non-brokered private placement described at Note 15.2.

Expressed in United States Dollars, unless otherwise indicated

	Subscription amount ($)	Shares	Warrants
Chief Operating Officer	125,000	1,000,000	1,000,000
Chief Financial Officer of GR Unlimited	250,000	2,000,000	2,000,000
Chief Executive Officer	200,000	1,600,000	1,600,000
PBIC	250,000	2,000,000	2,000,000
Total	**$ 825,000**	**6,600,000**	**6,600,000**

20.7 On March 5, 2021, under the Offering (Note 15.6), PBIC invested proceeds of $394,546 which resulted in the issuance to PBIC of 2,444,444 common shares and 2,444,444 warrants to purchase common shares. Each warrant is exercisable at CAD$0.30 for a period of two years.

21. FINANCIAL INSTRUMENTS

21.1 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.

21.1.1 Interest Rate Risk

At October 31, 2021 and October 31, 2020, 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.

21.1.2 Currency Risk

As at October 31, 2021, the Company had accounts payable and accrued liabilities of CAD$442,422. The Company is exposed to the risk of fluctuation in the rate of exchange between the Canadian Dollar and the United States Dollar.

21.2 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 represents the Company's maximum exposure to credit risk; the balances of these accounts are summarized in the following table:

Expressed in United States Dollars, unless otherwise indicated

	October 31, 2021	October 31, 2020
	$	$
Cash	1,114,033	217,788
Accounts Receivable	739,248	172,121
Total	**1,853,281**	**389,909**

The allowance for doubtful accounts at October 31, 2021, is $48,744 (October 31, 2020 - $7,425).

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

	October 31, 2021	October 31, 2020
	$	$
Current	140,746	59,235
1-30 days	423,153	49,204
31 days-older	95,110	3,500
Total trade accounts receivable	**659,009**	**119,939**
Other receivables	80,239	60,182
Total accounts receivable	**739,248**	**172,121**

21.3 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 October 31, 2021, the Company’s working capital accounts were as follows:

	October 31, 2021	October 31, 2020
	$	$
Cash	1,114,033	217,788
Current assets excluding cash	5,591,653	1,616,987
Total current assets	6,705,686	1,834,775
Current liabilities	(3,862,460)	(1,799,104)
Working capital	**2,843,226**	**35,671**

Expressed in United States Dollars, unless otherwise indicated

The contractual maturities of the Company's accounts payable and accrued liabilities, long-term debt, and lease payable occurs over the next three years as follows:

Column1	**Year 1**	**Over 1 Year - 3 Years**	**Over 3 Years - 5 Years**	**Over 5 Years**
	$	$	$	$
Accounts payable and accrued liabilities	1,766,707	123,413	-	-
Lease liabilities	624,935	965,123	728,878	41,502
Debt	843,900	1,365,761	-	-
Business acquisition consideration payable	358,537	-	-	-
Interest payable	13,750	-	-	-
Income tax	254,631	-	-	-
Total	**3,862,460**	**2,454,297**	**728,878**	**41,502**

21.4 Fair Values

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

21.5 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).

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

Expressed in United States Dollars, unless otherwise indicated

	Level in fair value hierarchy		Amortized Cost		FVTPL
Financial Assets					
Cash	Level 1	$	1,114,033	$	-
Accounts receivable	Level 2		739,248		-
Marketable securities	Level 1		-		610,092
Financial Liabilities					
Accounts payable and accrued liabilities	Level 2	$	1,890,120	$	-
Debt	Level 2		2,209,661		-
Interest payable	Level 2		13,750		-
Business acquisition consideration payable	Level 2		358,537		

During the year ended October 31, 2021 there were no transfers of amounts between levels.

22. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended October 31, 2021 and 2020 are as follows:

	Years ended October 31,	
	2021	**2020**
	$	**$**
Office, banking, travel, and overheads	1,158,975	269,496
Professional services	767,050	794,154
Salaries and benefits	2,057,225	1,132,771
Total	**3,983,250**	**2,196,421**

Expressed in United States Dollars, unless otherwise indicated

23. INCOME TAXES

23.1 Income tax expense

The following table reconciles income taxes calculated at combined United States federal/state tax rates with the income tax expense in the consolidated financial statements:

	2021	2020
Income (loss) before income taxes	$ (864,202)	$ (2,263,829)
Effective income tax rate (%)	27.25%	27.25%
Expected income tax (recovery)	$ (235,495)	$ (616,893)
Loss (income) related to entities taxed as partnerships	1,056	-
Temporary differences related to inventory valuation	124,590	(124,590)
Temporary differences related to start-up costs	(196,978)	(196,978)
Temporary differences related to Transaction costs	(2,217,730)	(1,927,848)
Non-deductible expenses	(42,264)	(181,613)
Permanent difference for loss (income) related to entities taxed as corporations	(369,512)	-
Permanent difference for loss (income) related to entities taxed as partnerships	(6,749)	-
Temporary differences related to cost of goods sold	-	-
Unrealized gain on biological assets	-	-
Share issuance costs	-	-
Losses and other deductions for which no benefit has been recognized	3,093,625	-
Income tax expense	$ 150,543	$ -

Expressed in United States Dollars, unless otherwise indicated

23.2 Deferred taxes

The temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are presented below:

Deferred Tax Assets	**2021**	**2020**
	$	$
Start-up costs	196,978	196,978
Inventory	(124,590)	124,590
Biological asset fair value adjustment	-	-
Net operating loss carry-forwards	2,503,436	1,369,512
Share issuance costs	-	-
IFRS Adjustments	(209,847)	28,254
Amortization/Depreciation expenses	474,689	351,345
Transaction costs	965,356	919,825
Technology impairment	429,122	429,122
Debt restructure	125,953	125,953
Various derivative and unrealized gain/loss	432,457	73,350
Allowance for doubtful accounts	-	-
	4,793,553	3,618,929
Deferred taxes not recognized	(4,793,553)	(3,618,929)
Net deferred tax assets	-	-

The Company incurs losses in its taxable Canadian corporation, which has no expectation of revenues, and reports no associated Canadian deferred tax assets.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income tax liabilities result primarily from amounts not deductible for tax purposes until future periods. Deferred income tax assets result primarily from operating tax loss carry forwards and transaction costs related to general and administrative expenses and share compensation, and have been offset against deferred income tax liabilities.

As the Company operates in the cannabis industry, it is subject to the limits of United States Internal Revenue Code Section 280E under which the Company is only allowed to deduct expenses directly related to production of product. This results in permanent differences between ordinary and necessary business expenses deemed non-deductible under United States Internal Revenue Code Section 280E.

Subsequent to October 31, 2021, the Internal Revenue Service levied the assets of Golden Harvests for a past due tax liability. Management expects to settle the liability in due course.

24. 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:

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- 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.

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.

25. SEGMENT REPORTING

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

Geographical segments	Oregon	Michigan	Other	Total
	$	$	$	$
Non-current assets other than financial instruments				
As at October 31, 2021	3,912,430	2,979,492	-	6,891,922
As at October 31, 2020	757,480	399,316	-	1,156,796
Year ended October 31, 2021				
Net revenue	5,152,286	3,882,332	344,055	9,378,673
Gross profit (loss)	2,325,304	3,585,462	189,702	6,100,468
Year ended October 31, 2020				
Net revenue	3,846,223	-	393,381	4,239,604
Gross profit (loss)	1,723,483	-	122,214	1,845,697

Major customers are defined as customers that each individually account for greater than 10% of the Company's annual revenues. During the year ended October 31, 2021, one major customer accounted for 11% of revenues (2020 – two major customers accounted for 37% of annual revenues).

Expressed in United States Dollars, unless otherwise indicated

26. NON-CONTROLLING INTERESTS

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

	October 31, 2021	October 31, 2020
	$	$
Balance, beginning of year	(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	(4,092)	(129)
Non-controlling interest's 13% share of GR Michigan, LLC	5,743	(38,554)
Non-controlling interest's 100% share of Canopy Management, LLC	2,065,718	-
Balance, end of year	**2,033,986**	**(33,383)**

26.1 Non-controlling interest in GRD Cali, LLC

The following is summarized financial information for GRD Cali, LLC:

	October 31, 2021	October 31, 2020
	$	$
Net loss for the year	-	90,914

GRD Cali, LLC was sold in exchange for $85,000 during the year ended October 31, 2020.

26.2 Non-controlling interest in Idalia, LLC

The following is summarized financial information for Idalia, LLC:

	October 31, 2021	October 31, 2020
	$	$
Non-current assets	-	10,230
Net loss for the year	10,230	322

26.3 Non-controlling interest in GR Michigan, LLC ("GR Michigan")

The following is summarized financial information for GR Michigan, LLC:

	October 31, 2021	October 31, 2020
	$	$
Current assets	1,453	74,961
Non-current assets	-	603,895
Current liabilities	-	489,266
Non-current liabilities	-	68,994
Net loss for the year	48,867	296,570

Expressed in United States Dollars, unless otherwise indicated

Nine percent (9%) of GR Michigan is owned by officers and directors of the Company; this ownership is pursuant to an agreement that included their loans made to GR Michigan (Note 20.4), and 4% of GR Michigan owned by a third party. The total non-controlling ownership, including ownership by officers and directors, is 13%.

26.4 Non-controlling interest in Canopy Management, LLC

The following is summarized financial information for Canopy Management, LLC, reflecting consolidation of Golden Harvests, LLC of which it is a 60% owner:

	October 31, 2021	October 31, 2020
	$	$
Current assets	3,093,330	-
Non-current assets	4,023,521	-
Current liabilities	1,708,330	-
Non-current liabilities	1,225,804	-
Advances due to parent	530,020	-
Net income for the year	2,196,479	-

Ninety-six percent (96%) of Canopy is owned by officers and directors of the Company, and four percent (4%) is owned by a third party. Ownership by officers and directors, excluding the CEO, is pursuant to agreements which caused their ownership of Canopy to be equal to their ownership in GR Michigan (Note 26.3), which total 3.5%. The CEO owns 92.5% of Canopy, noting that this analogous to the CEO's 5.5% ownership of GR Michigan, and an additional 87% of Canopy, which is equal to the Company's ownership of GR Michigan of 87%. After the Company executes its option to acquire Canopy, the Company's ownership of Canopy will be the same as its ownership of GR Michigan.

26.5 Non-controlling interest in GR Distribution, LLC

During the year ended October 31, 2021, the Company sold an aggregate total of an approximately 10.6% interest in Grown Rogue Distribution, LLC ("GR Distribution") for $475,000. The interest was comprised of 11.875 newly issued equity units ("GR Distribution Units") and each GR Distribution Unit was sold for $40,000. Prior to the issuances, 100 GR Distribution Units were outstanding, and after the issuances, 111.875 GR Distribution Units were issued and outstanding. Of the newly issued 11.875 GR Distribution units issued, 6.25 were issued to a former director of the Company, for proceeds of $250,000. On April 30, 2021, the Company purchased 11.875 GR Distribution Units in exchange for 3,711,938 common shares with an aggregate fair value of $664,816. After the Company's purchase of 11.875 GR Distribution Units, Grown Rogue Distribution, LLC was a 100% owned subsidiary

27. SUBSEQUENT EVENTS

27.1 On December 9, 2021, the Company announced that it has closed a non-brokered private placement of common shares ("Private Placement") for total gross proceeds of USD$1,300,000 (CDN$1,645,800). The Private Placement resulted in the issuance of 13,166,400 common shares of Grown Rogue at a purchase price of CAD$0.125 per share. All common shares issued pursuant to the Private Placement are subject to a hold period of four months and one day. The CEO of Grown Rogue invested USD$300,000 in the Private Placement and received 3,038,400 common shares of the Company.

27.2 On January 5, 2022, the Company issued a principal payment of $75,000 in principal against the note payable described at Note 13.2, and paid $7,500 to extend the maturity of the remaining principal balance of $75,000 by six-months.

27.3 Subsequent to October 31, 2021, the Company issued a $360,000 note payable in settlement of the cash portion of business acquisition consideration payable (Note 7). The note matures on November 30, 2024, accrues interest at 18% per annum, and interest is paid monthly starting December 1, 2021.

27.4 On November 5, 2021, the Company issued 311,385 shares with a total aggregate fair value of $46,032 as compensation to directors, employees, and service providers. Of the shares issued, 253,710 shares with a fair value of $38,532 were reported as shares issuable at October 31, 2021.