



# **GROWN ROGUE INTERNATIONAL INC.**

**Unaudited Condensed Interim Consolidated Financial Statements  
For the Three and Six Months ended April 30, 2022, and 2021  
Expressed in United States Dollars**

## **NOTICE TO READER**

The accompanying unaudited condensed consolidated interim financial statements have been prepared by the Company's management and the Company's independent auditors have not performed a review of these interim financial statements.

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# Grown Rogue International Inc.

## Condensed Interim Consolidated Statements of Financial Position

Unaudited - Expressed in United States Dollars

	April 30, 2022	October 31, 2021
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	1,817,048	1,114,033
Accounts receivable (Note 20)	1,003,286	739,248
Biological assets (Note 4)	1,708,208	1,188,552
Inventory (Note 5)	3,211,404	3,306,312
Prepaid expenses and other assets	329,101	357,541
<b>Total current assets</b>	<b>8,069,047</b>	<b>6,705,686</b>
Marketable securities (Note 6)	404,108	610,092
Other investments and purchase deposits (Note 8)	-	750,000
Property and equipment (Note 11)	8,369,636	5,742,584
Intangible assets and goodwill (Note 12)	725,668	399,338
<b>TOTAL ASSETS</b>	<b>17,568,459</b>	<b>14,207,700</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	1,913,163	1,766,707
Current portion of lease liabilities (Note 10)	1,053,827	624,935
Current portion of long-term debt (Note 13)	1,778,183	843,900
Business acquisition consideration payable (Note 7)	360,000	358,537
Interest payable (Note 13)	15,000	13,750
Unearned revenue	44,122	-
Income tax	294,365	254,631
<b>Total current liabilities</b>	<b>5,458,660</b>	<b>3,862,460</b>
Accrued liabilities (Note 9)	60,514	123,413
Lease liabilities (Note 10)	1,572,778	1,735,503
Long-term debt (Note 13)	1,675,057	1,365,761
<b>TOTAL LIABILITIES</b>	<b>8,767,009</b>	<b>7,087,137</b>
<b>EQUITY</b>		
Share capital (Note 14)	21,858,827	20,499,031
Shares issuable (Note 7)	35,806	74,338
Contributed surplus (Notes 15, 16)	6,483,074	6,407,935
Accumulated other comprehensive loss	(106,069)	(90,378)
Accumulated deficit	(21,190,996)	(21,804,349)
Equity attributable to shareholders	7,080,642	5,086,577
Non-controlling interests (Note 24)	1,720,808	2,033,986
<b>TOTAL EQUITY</b>	<b>8,801,450</b>	<b>7,120,563</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>17,568,459</b>	<b>14,207,700</b>

Going Concern (Note 2)

Approved on behalf of the Board of Directors:

Signed "J. Obie Strickler", Director

Signed "Stephen Gledhill", Director

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

# Grown Rogue International Inc.

## Condensed Interim Consolidated Statements of Comprehensive Loss

Unaudited - Expressed in United States Dollars

	Three months ended April 30,		Six months ended April 30,	
	2022	2021	2022	2021
<b>Revenue</b>				
Product sales	4,700,127	1,370,728	8,432,840	2,245,552
Service revenue (Note 7)	-	167,694	-	344,055
<b>Total revenue</b>	<b>4,700,127</b>	<b>1,538,422</b>	<b>8,432,840</b>	<b>2,589,607</b>
<b>Cost of goods sold</b>				
Cost of finished cannabis inventory sold (Note 5)	(2,165,447)	(875,078)	(3,864,473)	(1,345,632)
Costs of service revenues (Note 7)	-	(70,200)	-	(154,353)
<b>Gross profit, excluding fair value items</b>	<b>2,534,680</b>	<b>593,144</b>	<b>4,568,367</b>	<b>1,089,622</b>
Realized fair value amounts in inventory sold	(981,113)	(19,732)	(1,991,591)	(189,060)
Unrealized fair value gain (loss) on growth of biological assets (Note 4)	670,135	33,754	1,959,649	(153,052)
<b>Gross profit</b>	<b>2,223,702</b>	<b>607,166</b>	<b>4,536,425</b>	<b>747,510</b>
<b>Expenses</b>				
Accretion expense	137,792	366,079	289,479	614,436
Amortization of intangible assets	-	-	-	4,997
Amortization of property and equipment (Note 11)	239,683	40,546	291,693	78,701
General and administrative (Note 21)	1,469,533	775,919	3,073,459	1,442,658
Share-based compensation	30,999	47,572	49,486	136,010
<b>Total expenses</b>	<b>1,878,007</b>	<b>1,230,116</b>	<b>3,704,117</b>	<b>2,276,802</b>
<b>Gain (loss) from operations</b>	<b>345,695</b>	<b>(622,950)</b>	<b>832,308</b>	<b>(1,529,292)</b>
<b>Other income and (expense)</b>				
Interest expense	(110,901)	(36,361)	(225,561)	(44,888)
Other income (expense)	(1,366)	(22,319)	(6,806)	(22,319)
Gain on debt settlement	-	114,997	-	131,620
Loss on settlement of non-controlling interest	-	(189,816)	-	(189,816)
Unrealized gain (loss) on marketable securities	(19,082)	253,300	(186,886)	556,108
Unrealized loss on derivative liability	-	(939,369)	-	(1,258,996)
Gain on disposal of property and equipment	-	-	(6,250)	-
<b>Gain (loss) from operations before taxes</b>	<b>214,346</b>	<b>(1,442,518)</b>	<b>406,805</b>	<b>(2,357,583)</b>
Income tax	(69,612)	-	(106,630)	-
<b>Net income (loss)</b>	<b>144,734</b>	<b>(1,442,518)</b>	<b>300,175</b>	<b>(2,357,583)</b>
Other comprehensive income (loss) (items that may be subsequently reclassified to profit & loss)				
Currency translation	(2,033)	2,653	(15,691)	(73,281)
<b>Total comprehensive loss</b>	<b>142,701</b>	<b>(1,439,865)</b>	<b>284,484</b>	<b>(2,430,864)</b>
Gain (loss) per share attributable to owners of the parent – basic & diluted	0.01	(0.01)	0.00	(0.02)
Weighted average shares outstanding – basic & diluted	170,444,437	120,244,292	167,731,165	114,040,208
Net gain (loss) for the period attributable to:				
Non-controlling interest	(877,785)	(15,306)	(313,178)	(10,410)
Shareholders	1,022,519	(1,427,212)	613,353	(2,347,173)
Net income (loss)	144,734	(1,442,518)	300,175	(2,357,583)
Comprehensive gain (loss) for the period attributable to:				
Non-controlling interest	(877,785)	(15,306)	(313,178)	(10,410)
Shareholders	1,020,486	(1,424,559)	597,662	(2,420,454)
<b>Total comprehensive gain (loss)</b>	<b>142,701</b>	<b>(1,439,865)</b>	<b>284,484</b>	<b>(2,430,864)</b>

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

# Grown Rogue International Inc.

## Condensed Interim Consolidated Statements of Changes in Shareholders' Deficit

Unaudited - Expressed in United States Dollars

	Number of common shares	Share capital	Shares issuable	Subscriptions payable	Contributed surplus	Currency translation reserve	Accumulated deficit	Non- controlling interests	Total equity
	#	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance - October 31, 2021</b>	156,936,876	20,499,031	74,338	-	6,407,935	(90,378)	(21,804,349)	2,033,986	7,120,563
Shares issued for employment, director, & consulting services (Note 14.1)	529,335	59,796	(38,532)	-	-	-	-	-	21,264
Private placement of shares (Note 14.2)	13,166,400	1,300,000	-	-	-	-	-	-	1,300,000
Stock option vesting expense	-	-	-	-	75,139	-	-	-	75,139
Currency translation adjustment	-	-	-	-	-	(15,691)	-	-	(15,691)
Net income (loss)	-	-	-	-	-	-	613,353	(313,178)	300,175
<b>Balance - April 30, 2022</b>	<b>170,632,611</b>	<b>21,858,827</b>	<b>35,806</b>	<b>-</b>	<b>6,483,074</b>	<b>(106,069)</b>	<b>(21,190,996)</b>	<b>1,720,808</b>	<b>8,801,450</b>

	Number of common shares	Share capital	Shares issuable	Subscriptions payable	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 14.3)	403,044	74,294	-	-	-	-	-	-	74,294
Shares issued pursuant to private placement (Note 14.4)	10,231,784	1,225,000	-	-	-	-	-	-	1,225,000
Expenses of non-brokered private placement (Note 14.4)	-	(15,148)	-	-	-	-	-	-	(15,148)
Shares issued to extend payment due date (Note 14.5)	25,000	2,103	-	-	-	-	-	-	2,103
Shares issued to partner creditor (Note 14.6)	400,000	36,310	-	-	-	-	-	-	36,310
Shares issuable for services (Note 14.5)	-	-	48,900	-	-	-	-	-	48,900
Shares payments to exercise Canopy Option and extend due date (Note 14.8)	600,000	107,461	-	-	-	-	-	-	107,461
Shares and warrants issued pursuant to brokered private placement of Special Warrants (Notes 14.9, 15)	23,162,579	3,738,564	-	-	-	-	-	-	3,738,564
Expenses of brokered private placement of Special Warrants (Note 14.9)	-	(444,396)	-	-	-	-	-	-	(444,396)
Broker and advisory warrants issued pursuant to Special Warrant financing (Notes 14.9, 15)	-	(210,278)	-	-	210,278	-	-	-	-
Settlement of convertible debentures for cash and common shares (Note 14.10)	3,933,328	261,952	654,338	-	1,883,731	-	-	-	2,800,021
Issuance of non-controlling interest in subsidiary for cash	-	-	-	-	(475,000)	-	-	475,000	-
Purchase of non-controlling interest in subsidiary	-	-	664,816	-	475,000	-	-	(475,000)	664,816
Stock option vesting expense	-	-	-	-	68,484	-	-	-	68,484
Currency translation adjustment	-	-	-	-	-	(73,281)	-	-	(73,281)
Net loss	-	-	-	-	-	-	(2,347,173)	(10,410)	(2,357,58)
<b>Balance - April 30, 2021</b>	<b>146,538,132</b>	<b>19,200,203</b>	<b>1,368,054</b>	<b>-</b>	<b>6,232,757</b>	<b>(85,478)</b>	<b>(21,741,217)</b>	<b>(43,793)</b>	<b>4,930,526</b>

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

# Grown Rogue International Inc.

## Condensed Interim Consolidated Cash Flow Statements

Unaudited - Expressed in United States Dollars

	Six months ended April 30,	
	2022	2021
Cash provided by (used in)	\$	\$
<b>Operating activities</b>		
<b>Net income (loss)</b>	300,175	(2,357,583)
Adjustments for non-cash items in net loss		
Amortization of property and equipment	291,693	78,701
Amortization of property and equipment include in costs of inventory sold	337,627	406,372
Amortization of intangible assets	-	4,997
Unrealized loss (gain) on changes in fair value of biological assets	(1,959,649)	153,052
Changes in fair value of inventory sold	1,991,591	189,060
Share-based compensation	21,264	159,504
Stock option expense	75,139	68,484
Accretion expense	289,479	614,436
Loss on disposal of property & equipment	6,250	-
Unrealized loss (gain) on marketable securities	186,886	(556,108)
Loss on fair value of derivative liability	-	1,258,996
Loss on acquisition of non-controlling interest paid in shares	-	189,816
Effects of foreign exchange	3,407	2,700
	1,543,862	212,427
Changes in non-cash working capital (Note 17)	(743,676)	(910,074)
<b>Net cash provided by operating activities</b>	<b>800,186</b>	<b>(697,647)</b>
<b>Investing activities</b>		
Purchase of property and equipment and intangibles	(480,690)	(615,307)
Payments of acquisition payable	(2,000)	-
Other investments	-	(1,054,000)
<b>Net cash used in investing activities</b>	<b>(482,690)</b>	<b>(1,669,307)</b>
<b>Financing activities</b>		
Third party investment in subsidiary	-	475,000
Proceeds from long-term debt	100,000	525,000
Proceeds from private placement	1,300,000	1,225,000
Proceeds from brokered private placement	-	3,738,564
Payment of equity and debenture issuance costs	-	(459,544)
Repayment of long-term debt	(392,439)	(175,415)
Repayment of convertible debentures	-	(1,312,722)
Payments of lease principal	(622,042)	(149,374)
<b>Net cash provided by financing activities</b>	<b>385,519</b>	<b>3,866,509</b>
<b>Change in cash</b>	<b>703,015</b>	<b>1,499,555</b>
Cash balance, beginning	1,114,033	217,788
<b>Cash balance, ending</b>	<b>1,817,048</b>	<b>1,717,343</b>

Supplemental cash flow disclosures (Note 18)

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

# Grown Rogue International Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

### For the Three and Six Months Ended April 30, 2022 and 2021

Unaudited - Expressed in United States Dollars, unless otherwise indicated

## 1. CORPORATE INFORMATION

These unaudited condensed interim consolidated financial statements for the three and six months ended April 30, 2022, and 2021 (the "Financial Statements"), include the accounts of Grown Rogue International Inc. (together with its subsidiaries, "GRIN" or the "Company") and its subsidiaries. The registered office of GRIN is located at 340 Richmond Street West, Toronto, Ontario, M5V 1X2.

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

Company	Ownership
Grown Rogue Unlimited, LLC	100% by GRIN
Grown Rogue Gardens, LLC	100% by Grown Rogue Unlimited, LLC
GRU Properties, LLC	100% by Grown Rogue Unlimited, LLC
GRIP, LLC	100% by Grown Rogue Unlimited, LLC
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 (Note 7) 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.

## 2. BASIS OF PRESENTATION

### Statement of Compliance and Going Concern

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

The Company's ability to continue as a going concern is dependent upon, but not limited to, its ability to raise financing necessary to discharge its liabilities as they become due and generate positive cash flows from operations. Although during the six months ended April 30, 2022, the Company generated net income of approximately \$0.3 million, it has historically incurred net losses, and as of that date, the Company's accumulated deficit was approximately \$21.2 million. These conditions have resulted in material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern and to meet its obligations will be dependent upon successful sales of product and generating positive cash flows from operations as well as obtaining suitable financing. The accompanying Financial Statements do not reflect any adjustment that might result from the outcome of this

# Grown Rogue International Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

### For the Three and Six Months Ended April 30, 2022 and 2021

Unaudited - Expressed in United States Dollars, unless otherwise indicated

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uncertainty. If the going concern assumption is not used, then the adjustments required to report the Company's assets and liabilities at liquidation values could be material to these Financial Statements.

These Financial Statements do not include all disclosures required by IFRS for annual audited consolidated financial statements and accordingly should be read in conjunction with our annual consolidated financial statements for the year ended October 31, 2021. These unaudited condensed interim financial statements were authorized for issuance by the Board of Directors on June 29, 2022.

We have reclassified certain amounts in prior periods to conform to the current period's presentation. On the consolidated statements of cash flows, amortization of property and equipment included in cost of finished cannabis inventory sold and changes in fair value of inventory were reclassified from changes in non-cash working capital to items presented as non-cash adjustments to net income (loss).

#### **Basis of Measurement**

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

#### **Functional and Presentation Currency**

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

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

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

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

#### **Basis of Consolidation**

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

#### **Estimation Uncertainty due to COVID-19**

On March 11, 2020, the World Health Organization declared a global outbreak of COVID-19 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



# Grown Rogue International Inc.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three and Six Months Ended April 30, 2022 and 2021

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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 six months ended April 30, 2022, 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 be deemed appropriate to mitigate any potential impacts to its business.

### 3. SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT JUDGEMENTS

The preparation of these Financial Statements requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets, liabilities, and expenses. Areas that have the most significant effect on the amounts recognized in the financial statements are disclosed in Note 4 of the Company's consolidated financial statements for the year ended October 31, 2021. The accounting policies applied in these Financial Statements are consistent with those used in the Company's consolidated financial statements for the year ended October 31, 2021.

### 4. BIOLOGICAL ASSETS

Biological assets consist of cannabis plants, which reflect measurement at fair value less costs to sell ("FVLCTS"). Changes in the carrying amounts of biological assets for the six months ended April 30, 2022, are as follows:

	April 30, 2022	October 31, 2021
	\$	\$
Beginning balance	1,188,522	250,690
Purchased cannabis plants	1,979,281	2,969,773
Allocation of operational overhead	412,132	1,430,876
Change in FVLCTS due to biological transformation	1,959,649	1,824,225
Transferred to inventory upon harvest	(3,831,406)	(5,287,012)
<b>Ending balance</b>	<b>1,708,208</b>	<b>1,188,552</b>

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

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

- Expected costs required to grow the cannabis up to the point of harvest
- Estimated selling price per pound

# Grown Rogue International Inc.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three and Six Months Ended April 30, 2022 and 2021

Unaudited - Expressed in United States Dollars, unless otherwise indicated

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

	April 30, 2022	October 31, 2021	Impact of 20% change	
			January 31, 2022	October 31, 2021
Estimated selling price per (pound)	\$981	\$1,130	\$ 280,811	\$ 219,428
Estimated stage of growth	53%	51%	\$ 228,106	\$ 189,943
Estimated flower yield per harvest (pound)	2,693	1,915	\$ 228,106	\$ 189,943

## 5. INVENTORY

The Company's inventory composition is as follows:

	April 30, 2022	October 31, 2021
	\$	\$
Raw materials	51,057	22,788
Work in process	1,949,866	2,363,487
Finished goods	1,210,481	920,037
<b>Ending balance</b>	<b>3,211,404</b>	<b>3,306,312</b>

The cost of inventories, excluding changes in fair value, included as an expense and included in cost of goods sold for the six months ended April 30, 2022, was \$3,864,473 (2021 - \$1,345,632).

## 6. MARKETABLE SECURITIES

During the year ended October 31, 2020, the Company received 2,362,204 common shares of Plant-Based Investment Corp ("PBIC") by issuing to PBIC 15,000,000 common shares of the Company pursuant to a subscription agreement. 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 April 30, 2022, the fair value of the shares was \$404,108 (October 31, 2021 - \$610,092), based upon the publicly quoted price of PBIC shares. The Company recorded an unrealized loss on the shares in the amount of \$186,886 (2021 - \$nil) and foreign currency translation loss of \$19,098 (2021 - \$nil) during the six months ended April 30, 2022.

# Grown Rogue International Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

### For the Three and Six Months Ended April 30, 2022 and 2021

Unaudited - 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 on May 1, 2021, by exercising its option to acquire a controlling 60% interest, and we expect to exercise our option to acquire 87% of Canopy early in 2022, and until we exercise the option to acquire 87% of Canopy, it will be consolidated with a 100% non-controlling interest.

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 \$360,00 and 200,000 common shares with an aggregate fair value of \$35,806.

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

# Grown Rogue International Inc.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three and Six Months Ended April 30, 2022 and 2021

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<b>Net identifiable assets acquired (liabilities assumed)</b>	<b>\$</b>
Cash	386,128
Accounts receivable	155,067
Prepays 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)
<b>Net identifiable assets acquired</b>	<b>1,434,192</b>

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.

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

<b>Net cash flows</b>	<b>Prior to November 1, 2020</b>	<b>Year ended October 31, 2021</b>	<b>Six months ended April 30, 2022</b>	<b>Future payments</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
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	-	-	-	(360,000)	(360,000)
Payments against acquisition consideration payable	-	(6,000)	(2,000)	-	(8,000)
<b>Net cash flows upon completion of all payments</b>	<b>(175,000)</b>	<b>70,128</b>	<b>(2,000)</b>	<b>(360,000)</b>	<b>(466,872)</b>

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.

# Grown Rogue International Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

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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.

On December 1, 2021, the Company and the seller of the 60% controlling interest in Golden Harvests agreed to extend the due date of the cash portion of business acquisition consideration payable until December 31, 2024, in exchange for monthly payments at a rate of 18% per annum. The Company may pay all or part of the cash portion of the business acquisition consideration payable prior to December 31, 2024. The Company also agreed to issue the remaining 200,000 shares issuable as business acquisition consideration by May 15, 2022. The following table summarizes the movement in business acquisition consideration payable.

<b>Business acquisition consideration payable</b>	<b>\$</b>
Acquisition date fair value	370,537
Payments from acquisition date to April 30, 2022	(8,000)
Application of prepayments	(4,000)
Accretion	1,463
<b>Balance - April 30, 2022</b>	<b>360,000</b>

Prior to the Company's acquisition of Golden Harvests on May 1, 2021, the Company was contracted to provide management services to Golden Harvests. Under this agreement and prior to the consolidation of Golden Harvests, the Company reported service revenues of \$344,055 and incurred costs of service revenues of \$154,353 during the six months ended April 30, 2021 (revenues of \$167,694 and costs of service revenues of \$70,200 during the three months ended April 30, 2021).

## 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 was to be due at closing and the payment of the remaining purchase price was to depend on the timing of the closing. If the closing were to take place before the 12-month anniversary date of the February 5, 2021, effective date, the remaining balance of \$2,000,000 would be paid by a promissory note payable. If the closing were to take place after the 12-month anniversary date but before the 18-month anniversary date, the remaining balance would be paid \$750,000 in cash and \$1,250,000 by a promissory note payable. If the closing were to take place later than the 18-month anniversary date, the remaining \$2,000,000 would 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 owned all production from the growing assets derived from the growing operations of HSCP, and the Company operated 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 had no involvement with the retail operations contemplated in the agreement until the HSCP Transaction was completed.

# Grown Rogue International Inc.

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On April 14, 2022, the HSCP Transaction closed with modifications to the original terms: the retail purchase was mutually terminated, and total consideration for the acquisition was reduced to \$2,000,000. Upon closing, the Company had paid \$750,000 towards the acquisition, and owed a promissory note payable with a principal sum of \$1,250,000, of which \$500,000 is on August 1, 2022, and \$750,000 is on May 1, 2023.

## 9. ACCRUED LIABILITIES

The following table summarizes the liability payable to creditors who agreed to defer settlement for longer than one year from April 30, 2022, and October 31, 2021:

	CEO	Trade Vendors	Total
	\$	\$	\$
Balance - October 31, 2020	225,799	164,017	389,816
Amounts deferred	-	-	-
Amounts settled	(162,899)	(103,503)	(266,403)
Balance - October 31, 2021	62,900	60,514	123,413
Amounts settled	(62,900)	-	(62,900)
<b>Balance - April 30, 2022</b>	<b>-</b>	<b>60,514</b>	<b>60,514</b>

## 10. LEASES

The following is a continuity schedule of lease liabilities.

	April 30, 2022	October 31, 2021
	\$	\$
Balance - beginning	2,360,438	116,907
Additions	888,209	2,642,588
Disposals	-	(18,513)
Interest expense on lease liabilities	139,434	132,371
Payments	(761,476)	(512,914)
<b>Balance - ending</b>	<b>2,626,605</b>	<b>2,360,438</b>
Current portion	1,053,827	624,935
Non-current portion	1,572,778	1,735,503

# Grown Rogue International Inc.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three and Six Months Ended April 30, 2022 and 2021

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### 11. PROPERTY AND EQUIPMENT

	Computer and Office Equipment	Production Equipment and Other	Construction in Progress	Leasehold Improvements	Right-of-use Assets	Total
<b>COST</b>	\$	\$	\$	\$	\$	\$
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	-	(15,050)	-	(1,727)	(43,490)	(60,267)
Balance - October 31, 2021	16,283	511,167	-	4,978,088	3,328,032	8,833,570
Additions	-	29,986	-	2,474,185	888,209	3,392,380
Disposals	-	(2,825)	-	(10,375)	-	(13,200)
Balance – April 30, 2022	16,283	538,328	-	7,441,898	4,216,241	12,212,750
<b>ACCUMULATED AMORTIZATION</b>						
Balance - October 31, 2020	15,166	73,517	-	1,449,248	379,851	1,917,782
Accumulated amortization of assets acquired	138	52,368	-	40,955	100,316	193,777
Amortization for the period	979	77,766	-	527,524	406,773	1,013,042
Disposals	-	(7,548)	-	(698)	(25,369)	(33,615)
Balance - October 31, 2021	16,283	196,103	-	2,017,029	861,571	3,090,986
Amortization for the period	-	60,925	-	242,223	455,930	759,078
Disposals	-	(895)	-	(6,055)	-	(6,950)
Balance – April 30, 2022	16,283	256,133	-	2,253,197	1,317,501	3,843,114
<b>NET BOOK VALUE</b>						
Balance - October 31, 2021	-	315,064	-	2,961,059	2,466,461	5,742,584
Balance – April 30, 2022	-	282,195	-	5,188,701	2,898,740	8,369,636

For the six months ended April 30, 2022, amortization capitalized was \$467,385 (2021 - \$446,941) and expensed amortization was \$291,693 (2021 - \$78,701).

# Grown Rogue International Inc.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three and Six Months Ended April 30, 2022 and 2021

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### 12. INTANGIBLE ASSETS AND GOODWILL

Indefinite lived intangible assets and goodwill	April 30, 2022	October 31, 2021
	\$	\$
Balance – beginning	399,338	-
Additions – grower licenses	326,330	154,000
Additions – goodwill	-	245,338
Balance – ending	<b>725,668</b>	<b>399,338</b>

Additions during the year ended October 31, 2021, resulted from the acquisition of Golden Harvests (Note 7.1). Additions during the six months ended April 30, 2022, resulted from the HSCP Transaction (Note 8.1).

### 13. LONG-TERM DEBT

Transactions related to the Company's long-term debt for the three months ended April 30, 2022 include the following:

Movement in long-term debt	\$
Balance - October 31, 2020	799,814
Additions to debt (Notes 13.1, 13.3, 13.4, 13.5, 13.6, 13.7)	1,452,056
Reclassification to acquisition consideration payable	(100,000)
Interest accretion	565,506
Debt payments	(507,715)
Balance - October 31, 2021	2,209,661
Additions to debt (Note 13.1, 13.2)	1,350,000
Interest accretion	286,018
Debt payments	(392,439)
<b>Balance -April 30, 2022</b>	<b>3,453,240</b>
Current portion	1,778,178
Non-current portion	1,675,060

Transactions related to the Company's long-term debt during the six months ended April 30, 2022, include the following:

- 13.1** 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 six months ended April 30, 2022, \$100,000 was received (through October 31, 2021 - \$600,000). 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%.



# Grown Rogue International Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

### For the Three and Six Months Ended April 30, 2022 and 2021

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- 13.2** On April 14, 2022, the Company purchased indoor growing assets from High Street Capital Partners, LLC (Note 8.1). Purchase consideration included a secured promissory note payable with a principal sum of \$1,250,000, of which \$500,000 is due on August 1, 2022 and \$750,000 is due on May 1, 2023. Collateral for the secured promissory note payable is comprised of the assets purchased.

Accrued interest payable on long-term debt at April 30, 2022 was \$15,000 (October 31, 2021 - \$13,750).

Transactions related to the Company's long-term debt for the year ended October 31, 2021, include the following:

- 13.3** 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%.
- 13.4** 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.
- 13.5** 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%.
- 13.6** 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.
- 13.7** On May 1, 2021, the Company assumed a note payable owed by Golden Harvests (Note 7) 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%.

## 14. SHARE CAPITAL AND SHARES ISSUABLE

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 six months ended April 30, 2022, the following share transactions occurred:

- 14.1** The Company issued 529,335 common shares with a fair value of \$59,796 for employment compensation, director services and consulting services.

# Grown Rogue International Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

### For the Three and Six Months Ended April 30, 2022 and 2021

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- 14.2** On December 9, 2021, the Company 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 were subject to a hold period of four months and one day. The CEO of Grown Rogue invested \$300,000 in the Private Placement and received 3,038,400 common shares of the Company.

During the six months ended April 30, 2021, the following share transactions occurred:

- 14.3** The Company issued 403,044 common shares with a fair value of \$74,294 for employment compensation, director services and consulting services.
- 14.4** 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.
- 14.5** The Company issued 25,000 shares with a fair value of \$2,103 in order to extend a milestone payment to the seller of a controlling 60% interest in Golden Harvests (Note 7).
- 14.6** 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' (Note 7) business development.
- 14.7** On November 2, 2020, a member of Golden Harvests earned 500,000 shares with a fair value of \$48,900, based upon achievement of a production target. As at April 30, 2021, the shares had not yet been issued.
- 14.8** The Company issued 600,000 common shares with an aggregate fair value of \$107,461 to make payments towards the Canopy option and extend a milestone payment deadline. Of the 600,000 common shares issued, 200,000 common shares were issued to satisfy a milestone payment of shares; 200,000 common shares were issued to satisfy a milestone payment of shares; and 200,000 common shares were issued to extend the due date of the milestone payments.
- 14.9** 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.

# Grown Rogue International Inc.

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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 \$444,396 were allocated to share capital; also allocated to share capital were the expenses for fair value of Agent Warrants of \$210,278.

- 14.10** During the six months ended April 30, 2021, holders of convertible debentures 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, of which 3,933,328 with a fair value of \$261,952 were issued as at April 30, 2021, and of which 6,555,556 with a fair value of \$654,338 were issuable at April 30, 2021 and were issued subsequent to April 30, 2021.

## 15. WARRANTS

The following table summarizes the warrant activities for the six months ended April 30, 2022:

	Number	Weighted Average Exercise Price (CAD\$)
Balance - October 31, 2020	44,158,331	0.33
Issuance pursuant to non-brokered private placement	8,200,000	0.20
Issuance pursuant to the Offering	23,162,579	0.30
Expiration of broker warrants	(757,125)	0.44
Expiration of warrants issued during the year ended October 31, 2019	(17,843,998)	0.55
Balance - October 31, 2021	56,919,787	0.22
Expiration of warrants pursuant to convertible debt deemed re-issuance	(8,409,091)	0.16
Expiration of warrants issued pursuant to private placement to PBIC	(5,000,000)	0.13
<b>Balance – April 30, 2022</b>	<b>43,510,696</b>	<b>0.25</b>

As at April 30, 2022, the following warrants were issued and outstanding:

Exercise price (CAD\$)	Warrants outstanding	Life (years)	Expiry date
0.13	10,000,000	0.04	May 15, 2022
0.20	8,200,000	0.77	February 5, 2023
0.30	23,162,579	0.85	March 05, 2023
0.44	2,148,117	1.16	June 28, 2023
<b>0.25</b>	<b>43,510,696</b>	<b>0.66</b>	

# Grown Rogue International Inc.

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### 15.1 Agent Warrants

On March 5, 2021, as consideration for the services rendered by the agent (the "Agent") to a brokered private placement of special warrants (the "Offering"), 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 April 30, 2022.

Exercise price (CAD\$)	Agent Warrants outstanding	Remaining contractual life (years)	Expiry date
\$ 0.225	1,241,258	0.8	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%

### 16. STOCK OPTIONS

The following table summarizes the stock option movements for the six months ended April 30, 2022:

	Number	Exercise price (CAD\$)
Balance - October 31, 2020	3,720,000	0.19
Granted to employees	3,085,000	0.20
Forfeitures by service provider	(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
Granted to employees	605,000	0.15
Forfeitures by service provider	(500,000)	0.44
Forfeitures by employees	(800,000)	0.15
<b>Balance – April 30, 2022</b>	<b>5,070,000</b>	<b>0.18</b>

# Grown Rogue International Inc.

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**16.1** During the six months ended April 30, 2022, 605,000 options were granted (2021 – 1,785,000) to employees.

The fair value of the options granted during the six months ended April 30, 2022, was approximately \$23,622 (CAD\$29,924) 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 2.2%
- Expected life 4.0 years
- Expected volatility 86%

The vesting terms of options granted during the six months ended April 30, 2022, are set out in the table below:

Number granted	Vesting terms
300,000	50% on one year anniversary of grant date, 50% on second anniversary of grant date
100,000	Fully vested on grant date
205,000	Vest on one year anniversary of grant date
605,000	

As at April 30, 2022 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
0.15	2,040,000	1,812,500	2.4	July 2024
0.15	200,000	100,000	2.6	November 2024
0.31	1,075,000	750,000	3.0	April 2025
0.16	1,150,000	1,000,000	3.1	May 2025
0.15	195,000	100,000	3.0	May 2025
0.15	410,000	-	4.0	April 2026
<b>0.18</b>	<b>5,070,000</b>	<b>3,762,500</b>	<b>2.9</b>	

## 17. CHANGES IN NON-CASH WORKING CAPITAL

The changes to the Company's non-cash working capital for the six months ended April 30, 2022, and 2021 are as follows:

Six months ended April 30,	2022	2021
	\$	\$
Accounts receivable	(264,038)	(200,542)
Inventory & biological assets	(326,932)	(195,117)
Prepaid expenses and other assets	28,440	(205,733)
Accounts payable and accrued liabilities	(203,353)	(345,565)
Interest payable	1,250	(3,117)
Income tax payable	39,734	-
Unearned revenue	(18,777)	40,000
<b>Total</b>	<b>(743,676)</b>	<b>(910,074)</b>

# Grown Rogue International Inc.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three and Six Months Ended April 30, 2022 and 2021

Unaudited - Expressed in United States Dollars, unless otherwise indicated

### 18. SUPPLEMENTAL CASH FLOW DISCLOSURE

Six months ended April 30,	2022	2021
	\$	\$
Interest paid	224,084	115,616
Fair value of common shares issued & issuable for services	59,796	159,504
Fair value of common shares issued to GH (Note 7)	-	109,564
Fair value of common shares issued to GH creditor	-	36,310
Fair value of common shares issuable for services	-	48,900
Right-of-use assets acquired through leases (Note 10)	888,209	1,037,120
Conversion of debenture into common shares	-	916,290
Derivative liability recognized as contributed surplus upon debenture conversion	-	1,883,731
Note payable to HSCP used to acquire assets (Note 8.1)	1,250,000	-

### 19. RELATED PARTY TRANSACTIONS

During the six months ended April 30, 2022, the Company incurred the following related party transactions:

- 19.1** 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 \$36,000 were incurred for six months ended April 30, 2022 (2021 – 37,000). The lease liability balance for Trail at April 30, 2022, was \$218,408 (October 31, 2021 - \$242,228). 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 for Lars of \$91,800 (2021 - \$nil) were incurred for the six months ended April 30, 2022. The lease liability for Lars at April 30, 2022, was \$669,777 (October 31, 2021 - \$727,885).

During the year ended October 31, 2021, the CEO leased equipment to the Company, which had a balance due of \$21,235 at April 30, 2022 (October 31, 2021 - \$33,260). Lease payments of \$15,260 were made against the equipment leases during the six months ended April 30, 2022 (2021 - \$nil).

Leases liabilities payable to the CEO were \$909,420 in aggregate at April 30, 2022 (October 31, 2021 - \$1,003,373).

The CEO earned a royalty of 2.5% of sales of flower produced at Trail through December 31, 2021, at which time the royalty terminated. The CEO earned royalties of \$305 during the six months ended April 30, 2022 (2021 - \$5,815).

During the six months ended April 30, 2022, the Company settled \$62,900 in long-term liabilities due to the CEO as part of the CEO's total \$300,000 subscription to a non-brokered private placement of common shares (Note 14.2). (October 31, 2021 – the Company settled \$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).

- 19.2** The Company incurred expenses of \$30,000 (2021 - \$31,250) for services provided by the spouse of the CEO. At April 30, 2022, accounts and accrued liabilities payable to this individual were \$1,154 (October 31, 2021 - \$1,154).

# Grown Rogue International Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

### For the Three and Six Months Ended April 30, 2022 and 2021

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- 19.3** Key management personnel consists of the President and CEO; the Senior Vice President of Grown Rogue Unlimited, LLC; the former Chief Operating Officer (“COO”)\*; and the CFO of the Company. The compensation to key management is presented in the following table:

Six months ended April 30,	2022	2021
	\$	\$
Salaries and consulting fees	340,067	475,859
Share-based compensation	13,043	54,697
Stock option expense	6,145	52,373
<b>Total</b>	<b>359,255</b>	<b>582,929</b>

\*COO was appointed subsequent to April 30, 2021 and was paid & compensated prior to appointment; compensation for the six months ended April 30, 2021, is included in the table above for comparability to past & ongoing expenses. COO’s final date of employment was December 27, 2021.

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, 2021: 500,000 options were granted to the COO. 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 CFO (CFO was Chief Accounting Officer at date of grant).

Compensation to directors during the six months ended April 30, 2022, was \$9,000, as well as compensation in shares comprised of 273,750 shares with a fair value of \$20,562 (2021 – fees of \$9,000 and common share issuances of 100,908 common shares with a fair value of \$14,187).

Accounts payable, accrued liabilities (including the liability due to the CEO described at Note 9), and lease liabilities due to key management at April 30, 2022, totaled \$1,059,564 (October 31, 2021 - \$1,199,826).

- 19.4** Debt balances and movements with related parties

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

	CFO of GR				Total
	CEO	Unlimited LLC	Director	COO	
	\$	\$	\$	\$	
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
Borrowed	-	-	-	-	-
Interest	15,955	31,910	47,866	1,250	96,981
Payments	(23,849)	(47,698)	(71,547)	(75,000)	(218,094)
<b>Balance – April 30, 2022</b>	<b>57,645</b>	<b>115,290</b>	<b>172,936</b>	<b>90,000</b>	<b>435,871</b>

# Grown Rogue International Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

### For the Three and Six Months Ended April 30, 2022 and 2021

Unaudited - Expressed in United States Dollars, unless otherwise indicated

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% of GR Michigan LLC, respectively; third parties obtained 4% as part of the agreements, such that GR Michigan has a 13% non-controlling interest (Note 24.2). These parties, except the CEO, obtained the same interests in Canopy Management, LLC; the CEO obtained 92.5% of Canopy Management (Note 24.4). A note payable to PBIC is described at Note 13.1

## 20. FINANCIAL INSTRUMENTS

### 20.1 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.

#### 20.1.1 Interest Rate Risk

At April 30, 2022, the Company's exposure to interest rate risk relates to long-term debt and finance lease obligations; each of these items bears interest at a fixed rate.

#### 20.1.2 Currency Risk

As at April 30, 2022, the Company had accounts payable and accrued liabilities of CAD\$384,851. The Company is exposed to the risk of fluctuation in the rate of exchange between the Canadian Dollar and the United States Dollar.

### 20.2 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.

Accounts receivable primarily consist of trade accounts receivable and sales tax receivable. The Company provides credit to certain customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk. Credit risk is assessed on a case-by-case basis and a provision is recorded where required.

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

	April 30, 2022	October 31, 2021
	\$	\$
Cash	1,817,048	1,114,033
Accounts Receivable	1,003,286	739,248
<b>Total</b>	<b>2,820,334</b>	<b>1,853,281</b>

The allowance for doubtful accounts at April 30, 2022, was \$127,698 (October 31, 2021 - \$48,744).



# Grown Rogue International Inc.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three and Six Months Ended April 30, 2022 and 2021

Unaudited - Expressed in United States Dollars, unless otherwise indicated

As at April 30, 2022 and October 31, 2021, the Company's trade accounts receivable and other receivable were aged as follows:

	April 30, 2022	October 31, 2021
	\$	\$
Current	87,440	140,746
1-30 days	283,332	423,153
31 days-older	549,839	95,110
<b>Total trade accounts receivable</b>	<b>920,611</b>	<b>659,009</b>
Other receivables	82,675	80,239
<b>Total accounts receivable</b>	<b>1,003,286</b>	<b>739,248</b>

### 20.3 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 April 30, 2022, the Company's working capital accounts were as follows:

	April 30, 2022	October 31, 2021
	\$	\$
Cash	1,817,048	1,114,033
Current assets excluding cash	6,251,999	5,591,653
Total current assets	8,069,047	6,705,686
Current liabilities	(5,458,660)	(3,862,460)
<b>Working capital</b>	<b>2,610,387</b>	<b>2,843,226</b>

The contractual maturities of the Company's liabilities occur over the next five years are as follows:

	Year 1	Over 1 Year - 3 Years	Over 3 Years - 5 Years
	\$	\$	\$
Accounts payable and accrued liabilities	1,913,163	60,514	-
Lease liabilities	1,053,827	1,021,590	551,187
Debt	1,778,183	1,675,057	-
Business acquisition consideration payable	360,000	-	-
Interest payable	15,000	-	-
Unearned revenue	44,122	-	-
Income tax	294,365	-	-
<b>Total</b>	<b>5,458,660</b>	<b>2,757,161</b>	<b>551,187</b>

### 20.4 Fair Values

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

# Grown Rogue International Inc.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three and Six Months Ended April 30, 2022 and 2021

Unaudited - Expressed in United States Dollars, unless otherwise indicated

### 20.5 Fair Value Hierarchy

A number of the Company's accounting policies and disclosures require the measurement of fair value 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 April 30, 2022 are summarized in the following table:

	Level in fair value hierarchy	Amortized Cost	FVTPL
		\$	\$
<b>Financial Assets</b>			
Cash	Level 1	1,817,048	-
Accounts receivable	Level 2	1,003,286	-
Marketable securities	Level 1	-	404,108
<b>Financial Liabilities</b>			
Accounts payable and accrued liabilities	Level 2	1,973,677	-
Debt	Level 2	3,453,240	-
Interest payable	Level 2	15,000	-
Business acquisition consideration payable	Level 2	360,000	-

During the six months ended April 30, 2022, there were no transfers of amounts between levels.

## 21. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three and six months ended April 30, 2022, and 2021 are as follows:

	Three months ended April 30,		Six months ended April 30,	
	2022	2021	2022	2021
Office, banking, travel, and overheads	\$ 492,330	\$ 221,552	\$ 972,192	\$ 322,260
Professional services	140,222	246,500	248,243	382,928
Salaries and benefits	836,981	307,867	1,853,024	737,470
<b>Total</b>	<b>\$ 1,469,533</b>	<b>\$ 775,919</b>	<b>\$ 3,073,459</b>	<b>\$ 1,442,658</b>

# Grown Rogue International Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

### For the Three and Six Months Ended April 30, 2022 and 2021

Unaudited - Expressed in United States Dollars, unless otherwise indicated

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## 22. CAPITAL DISCLOSURES

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

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

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

The Company manages its capital structure and makes adjustments to, 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 and debt. 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.

# Grown Rogue International Inc.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three and Six Months Ended April 30, 2022 and 2021

Unaudited - Expressed in United States Dollars, unless otherwise indicated

### 23. SEGMENT REPORTING

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

Geographical segments	Oregon	Michigan	Other	Total
	\$	\$	\$	\$
<b>Non-current assets other than financial instruments:</b>				
As at April 30, 2022	5,186,824	3,908,480	-	9,095,304
As at October 31, 2021	3,912,430	2,979,492	-	6,891,922
<b>Six months ended April 30, 2022:</b>				
Net revenue	3,746,384	4,686,456	-	8,432,840
Gross profit (loss)	1,985,520	2,550,905	-	4,536,425
Gross profit (loss) before fair value adjustments	1,728,586	2,839,781	-	4,568,367
<b>Six months ended April 30, 2021:</b>				
Net revenue	2,245,552	-	344,055	2,589,607
Gross profit (loss)	557,808	-	189,702	747,510
Gross profit (loss) before fair value adjustments	899,920	-	189,702	1,089,622
<b>Three months ended April 30, 2022:</b>				
Net revenue	2,357,439	2,342,688	-	4,700,127
Gross profit (loss)	813,375	1,410,327	-	2,223,702
Gross profit (loss) before fair value adjustments	1,030,952	1,503,728	-	2,534,680
<b>Three months ended April 30, 2021:</b>				
Net revenue	1,370,728	-	167,694	1,538,422
Gross profit (loss)	509,672	-	97,494	607,166
Gross profit (loss) before fair value adjustments	495,650	-	97,494	593,144

Major customers are defined as customers that each individually account for greater than 10% of the Company's annual revenues. During the three months ended April 30, 2022, two major customers accounted for 29% of revenues (Q2 2021 – one major customer accounted for 24% of annual revenues). During the six months ended April 30, 2022, two major customers accounted for 24% of revenues (2021 – one major customer accounted for 19% of revenues).

# Grown Rogue International Inc.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three and Six Months Ended April 30, 2022 and 2021

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### 24. NON-CONTROLLING INTERESTS

The changes to the non-controlling interest for the six months ended April 30, 2022, and the year ended October 31, 2021 are as follows:

	April 30, 2022	October 31, 2021
	\$	\$
Balance, beginning of period	2,033,986	(33,383)
Non-controlling interest's 40% share of Idalia, LLC	-	(4,092)
Non-controlling interest's 13% share of GR Michigan, LLC	-	5,743
Non-controlling interest's 100% share of Canopy Management, LLC	(313,178)	2,065,718
<b>Balance, end of period</b>	<b>1,720,808</b>	<b>2,033,986</b>

#### 24.1 Non-controlling interest in Idalia, LLC

The following is summarized financial information for Idalia, LLC:

	April 30, 2022	October 31, 2021
	\$	\$
Net loss for the period	-	10,230

#### 24.2 Non-controlling interest in GR Michigan, LLC ("GR Michigan"):

	April 30, 2022	October 31, 2021
	\$	\$
Current assets	-	1,453
Net loss for the period	-	48,867

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 19.4), and 4% of GR Michigan owned by a third party. The total non-controlling ownership, including ownership by officers and directors, is 13%.

#### 24.3 Non-controlling interest in Grown Rogue Distribution, LLC

During the six months ended April 30, 2021, the Company sold an approximately 8.6% interest in Grown Rogue Distribution, LLC ("GR Distribution") for \$375,000. The interest was comprised of 9.375 newly issued equity units ("GR Distribution Units") and each GR Distribution Unit was sold for \$40,000. After the issuance, 109.375 GR Distribution Units were issued and outstanding. Of the 9.375 units newly issued, 6.25 were issued to a director of the Company, for proceeds of \$250,000. The GR Distribution Units were puttable by the subscribers to the Company and callable from the subscribers by the Company, and could have been settled in Company shares at a value agreed upon by the Company and the GR Distribution non-controlling interests, or in cash, or in a combination of cash and shares of the Company's choice. The Company accordingly recognized redemption liabilities of \$375,000 at April 30, 2021, recorded by way of a reduction in Company contributed surplus. During the six months subsequent to April 30, 2021, the newly issued GR Distribution Units were repurchased and the Company became the 100% owner of Grown Rogue Distribution LLC.

# Grown Rogue International Inc.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three and Six Months Ended April 30, 2022 and 2021

Unaudited - Expressed in United States Dollars, unless otherwise indicated

### 24.4 Non-controlling interest in Canopy Management, LLC

	April 30, 2022	October 31, 2021
	\$	\$
Current assets	2,481,086	3,093,330
Non-current assets	3,908,480	4,023,521
Current liabilities	2,413,432	1,708,330
Non-current liabilities	885,679	1,225,804
Advances due to parent	-	530,020
Net income for the period	(313,178)	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 24.2), 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.

## 25. SUBSEQUENT EVENTS

On June 15, 2022, the Company announced the termination of the joint venture between Golden Harvests and Pure Extracts Corp. ("Pure"). The termination was immaterial to the Company's financial statement, as limited activity had occurred since the joint venture was announced on August 19, 2021.

On June 20, 2022, the Company announced the settlement of the unsecured promissory note payable to PBIC entered into on September 9, 2021, and which had a balance owing of \$700,000 (the "PBIC Note"). The Company agreed to transfer its ownership in PBIC, comprised of 2,362,204 common shares in PBIC (the "PBIC Shares"), to 2766923 Ontario Inc. (the "Creditor"), to which PBIC sold and assigned the PBIC Note. In exchange, the Creditor provided forgiveness and settlement of all amounts owing in connection with the PBIC Note. The PBIC Note will automatically terminate upon receipt by the Creditor of the PBIC Shares.