

Grown Rogue Reports Second Quarter 2022 Results, 26% Sequential Revenue Growth, Positive Net Income and Record aEBITDA¹

- Revenue of \$4.70M compared to \$1.54M in Q2 2021, an increase of 206%, with aEBITDA margin improvement to 26.7% compared to 11.7% in Q2 2021
- Operating Cash Flow, before changes in working capital, of \$1.08M or 22.9% of revenue
- Fourth consecutive quarter of positive operating cash flow and net income

MEDFORD, Ore., June 30, 2022 /CNW/ - **Grown Rogue International Inc.** ("Grown Rogue" or the "Company") (CSE: GRIN) (OTC: GRUSF), a multi-state cannabis company with operations and assets in Oregon and Michigan, reports fiscal second quarter 2022 results for the three months ended April 30, 2022. All financial information is provided in U.S. dollars unless otherwise indicated.

Second Quarter 2022 Financial Summary

- Ninth consecutive quarter of positive aEBITDA¹
- Fourth consecutive quarter of positive net income and positive operating cash flow, before changes in working capital
- Launched nitrogen sealed pre-rolls in Michigan
- Harvested first crops from the newly constructed 11th and 12th flower rooms in Michigan and began construction on the 13th and 14th rooms with first harvests expected in fiscal Q4
- Top 10 flower brand in Michigan, according to LeafLink's MarketScape data
- #1 flower brand in Oregon for the fourth consecutive quarter, according to LeafLink's MarketScape data
- Named fastest growing brand in Oregon during April, according to LeafLink; the fourth time in eight months
- Subsequent to quarter-end, completed a \$0.70M debt settlement with the exchange of 2.36M shares of PBIC, that held a value of less than \$0.16M on the transaction date

"Grown Rogue had another very strong quarter, reporting positive operating cash flow, net income, and free cash flow," said Obie Strickler, CEO of Grown Rogue. "In Q2, we estimate we had one of the lowest average indoor selling price of any public cannabis company at \$872 per pound of whole flower (\$1.92 per gram) while reporting 23% operating cash flow margins, before changes in working capital", continued Mr. Strickler. "We continue to evaluate opportunities for new markets where we can bring our craft quality and efficiencies to provide better access for patients and consumers. Oregon had a particularly strong quarter with revenue up 70% quarter over quarter even while the overall market was down slightly. The Company launched pre-rolls in Michigan during the quarter and we are excited about the initial receptivity in this category. I could not be more proud of our team as we were north of \$1M in aEBITDA for the third consecutive quarter and have established Grown Rogue as the consistent market leader in the Oregon flower market, one of the most competitive states in the US. We are laser focused on continuing to become more efficient, while staying on trend with leading genetics and quality."

Highlights by State

Oregon Operations

- Revenue of \$2.36M compared to \$1.37M in Q2 2021, an increase of 72%
- Gross profit, before fair value adjustments, of \$1.03M compared to \$0.59M in Q2 2021, an increase of 74%

- Gross margin, before fair value adjustments, of 43.7%
- Segmented aEBITDA of \$0.62M and aEBITDA¹ margin of 26.5% compared to segmented aEBITDA¹ of \$0.18M and aEBITDA¹ margin of 11.7% in Q2 2021
- Average selling price of indoor whole flower of \$719/pound
- Monthly indoor production increased to approximately 800 pounds of whole flower in Q2 2022, with expectations to be at or near 1,000 pounds per month in Q3

Michigan Operations (Through Golden Harvests, LLC)

- Revenue of \$2.34M compared to pro-forma² revenue of \$1.38M in Q2 2021, an increase of 70%
- Gross margin, before fair value adjustments, of 64.2%
- Segmented aEBITDA¹ of \$1.16M and aEBITDA¹ margin of 49.5% compared to pro-forma² segmented aEBITDA¹ of \$0.34M and aEBITDA¹ margin of 24.3% in Q2 2021
- Average selling price of indoor whole flower of \$1,182/pound
- Monthly indoor production of whole flower increased to approximately 550 pounds in Q2 2022, with expectations to be at or near 750 pounds per month in Q3

	April 30, 2022	October 31, 2021
	\$	\$
ASSETS		
Current assets		
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
Total current assets	8,069,047	6,705,686
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
TOTAL ASSETS	17,568,459	14,207,700
LIABILITIES		
Current liabilities		
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
Total current liabilities	5,458,660	3,862,460
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
TOTAL LIABILITIES	8,767,009	7,087,137
EQUITY		
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
TOTAL EQUITY	8,801,450	7,120,563
TOTAL LIABILITIES AND EQUITY	17,568,459	14,207,700

	Three months ended April 30,	
	2022	2021
Revenue		
Product sales	4,700,127	1,370,728
Service revenue (Note 7)	-	167,694
Total revenue	4,700,127	1,538,422
Cost of goods sold		
Cost of finished cannabis inventory sold (Note 5)	(2,165,447)	(875,078)
Costs of service revenues (Note 7)	-	(70,200)

Gross profit, excluding fair value items	2,534,680	593,144
Realized fair value amounts in inventory sold	(981,113)	(19,732)
Unrealized fair value gain (loss) on growth of biological assets (Note 4)	670,135	33,754
Gross profit	2,223,702	607,166
Expenses		
Accretion expense	137,792	366,079
Amortization of intangible assets	-	-
Amortization of property and equipment (Note 11)	239,683	40,546
General and administrative (Note 21)	1,469,533	775,919
Share-based compensation	30,999	47,572
Total expenses	1,878,007	1,230,116
Gain (loss) from operations	345,695	(622,950)
Other income and (expense)		
Interest expense	(110,901)	(36,361)
Other income (expense)	(1,366)	(22,319)
Gain on debt settlement	-	114,997
Loss on settlement of non-controlling interest	-	(189,816)
Unrealized gain (loss) on marketable securities	(19,082)	253,300
Unrealized loss on derivative liability	-	(939,369)
Gain on disposal of property and equipment	-	-
Gain (loss) from operations before taxes	214,346	(1,442,518)
Income tax	(69,612)	-
Net income (loss)	144,734	(1,442,518)

	Oregon	Michigan	Corporate	Consolidated
Sales revenues	2,357,439	2,342,688	-	4,700,127
Costs of goods sold, excluding fair value adjustments	(1,326,487)	(838,960)	-	(2,165,447)
Gross profit (loss) before fair value adjustments	1,030,952	1,503,728	-	2,534,680
Net fair value adjustments	(217,577)	(93,401)	-	(310,978)
Gross profit	813,375	1,410,327	-	2,223,702
Operating expenses:	-	-	-	-
General and administration	517,051	423,460	529,022	1,469,533
Depreciation and amortization	13,564	196,024	30,095	239,683
Share based compensation	-	-	30,999	30,999
Other income and expense:	-	-	-	-
Gain on sale of assets	-	-	-	-
Interest and accretion	67,766	73,465	107,462	248,693
Unrealized loss (gain) on marketable securities	-	-	19,082	19,082
Other income and expense	-	-	1,366	1,366
Net income (loss) before tax	214,994	717,378	(718,026)	214,346
Tax	8,395	61,217	-	69,612
Net income after tax	206,599	656,161	(718,026)	144,734

	Three months ended	
	2022 (\$)	2021 (\$)
Adjusted EBITDA Reconciliation		
Net income (loss), as reported	144,734	(1,442,518)
Add back realized fair value amounts included in inventory sold	981,113	19,732
Add back (deduct) unrealized fair value loss on growth of biological assets	(670,135)	(33,754)
Add back amortization of property & equipment included in cost of sales	190,164	246,728
	645,876	(1,209,812)
Add back interest and interest accretion expense, as reported	248,693	402,440
Add back amortization of intangible assets, as reported	-	-
Add back amortization of property and equipment, as reported	239,683	40,546
Add back share-based compensation	34,107	47,572
Add back (deduct) unrealized loss (gain) on marketable securities, as reported	19,082	(253,300)
Add back unrealized loss on derivative liability	-	939,369
Add back unrealized foreign exchange loss	-	22,927
Loss on settlement of non-controlling interest	-	189,816
Add back income tax expense	69,612	-
EBITDA and aEBITDA	1,257,053	179,558

About Grown Rogue

[Grown Rogue International](#) (CSE: GRIN | OTC: GRUSF) is a vertically integrated, multi-state Cannabis family of brands on a mission to inspire consumers to "enhance experiences" through cannabis. We have combined an expert management team, award winning grow team, state of the art indoor and outdoor manufacturing facilities, and consumer insight-based product categorization, to create innovative products thoughtfully curated from "seed to experience." The Grown Rogue

family of products include sungrown and indoor premium flower, along with nitro sealed indoor and sungrown pre-rolls and jars.

NOTES:

1.

The Company's "aEBITDA," or "Adjusted EBITDA," is a non-IFRS measure used by management that does not have any prescribed meaning by IFRS and that may not be comparable to similar measures presented by other companies. The Company defines "EBITDA" as the Company's net income or loss for a period, as reported, before interest, taxes, depreciation and amortization, and is further adjusted to remove transaction costs, stock-based compensation expense, accretion expense, gain (loss) on derecognition of derivative liabilities, the effects of fair-value accounting for biological assets and inventory, as well as other non-cash items and items not representative of operational performance as reported in net income (loss). Adjusted EBITDA is defined as EBITDA adjusted for the impact of various significant or unusual transactions. The Company believes that this is a useful metric to evaluate its operating performance.

2.

The Company has provided unaudited pro-forma revenue information, which assumes that closed and pending mergers and acquisitions in 2021 are included in the Company's financial results as of the beginning of the quarterly and annual periods in 2021 for the Company and target companies.

NON-IFRS FINANCIAL MEASURES

EBITDA and aEBITDA are non-IFRS measures and do not have standardized definitions under IFRS. The Company has also provided unaudited pro-forma financial information, which assumes that closed and pending mergers and acquisitions in 2021 are included in the Company's financial results as of the beginning of the quarterly and annual periods in 2021. The Company has provided the non-IFRS financial measures, which are not calculated or presented in accordance with IFRS, as supplemental information and in addition to the financial measures that are calculated and presented in accordance with IFRS. These supplemental non-IFRS financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believe that the supplemental non-IFRS financial measures presented provide additional perspective and insights when analyzing the core operating performance of the business. These supplemental non-IFRS financial measures should not be considered superior to, as a substitute for or as an alternative to, and should only be considered in conjunction with, the IFRS financial measures presented herein. Accordingly, the following information provides reconciliations of the supplemental non-IFRS financial measures, presented herein to the most directly comparable financial measures calculated and presented in accordance with IFRS.

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FORWARD-LOOKING STATEMENTS

This press release contains statements which constitute "forward-looking information" within the meaning of applicable securities laws, including statements regarding the plans, intentions, beliefs and current expectations of the Company with respect to future business activities. Forward-looking information is often identified by the words "may," "would," "could," "should," "will," "intend," "plan," "anticipate," "believe," "estimate," "expect" or similar expressions and include information regarding: (i) statements regarding the future direction of the Company (ii) the ability of the Company to successfully achieve its business and financial objectives, (iii) plans for expansion of the Company into Michigan and securing applicable regulatory approvals, and (iv) expectations for other economic, business, and/or competitive factors. Investors are cautioned that forward-looking information is not based on historical facts but instead reflect the Company's management's expectations, estimates or projections concerning the business of the Company's future results or events based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made. Although the Company believes that the expectations reflected in such forward-looking information are reasonable, such information involves risks and uncertainties, and undue reliance should not be placed on such information, as unknown or unpredictable factors could have material adverse effects on future results, performance or achievements of the combined company. Among the key factors that could cause actual results to differ materially from those projected in the forward-looking information are the following: changes in general economic, business and political conditions, including changes in the financial markets; and in particular in the ability of the Company to raise debt and equity capital in the amounts and at the costs that it expects; adverse changes in the public perception of cannabis; decreases in the prevailing prices for cannabis and cannabis products in the markets that the Company operates in; adverse changes in applicable laws; or adverse changes in the application or enforcement of current laws; compliance with extensive government regulation and related costs, and other risks described in the Company's public disclosure documents filed on Sedar.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Although the Company has attempted to identify important risks, uncertainties and factors which could cause actual results to differ materially, there may be others that cause results not to be as anticipated, estimated or intended. The Company does not intend, and does not assume any obligation, to update this forward-looking information except as otherwise required by applicable law.

SAFE HARBOR STATEMENT

This press release may contain forward-looking information within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including all statements that are not statements of historical fact regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to, among other things: (i) the Company's financing plans; (ii) trends affecting the Company's financial condition or results of operations; (iii) the Company's growth strategy and operating strategy; and (iv) the declaration and payment of dividends. The words "may," "would," "will," "expect," "estimate," "anticipate," "believe," "intend" and similar expressions and variations thereof are intended to identify forward-looking statements. Also, forward-looking statements represent our management's beliefs and assumptions only as of the date hereof. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, many of which are beyond the

Company's ability to control, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors including the risk disclosed in the Company's Form 20-F and 6-K filings with the Securities and Exchange Commission.

The Company is indirectly involved in the manufacture, possession, use, sale and distribution of cannabis in the recreational cannabis marketplace in the United States through its indirect operating subsidiaries. Local state laws where its subsidiaries operate permit such activities however, these activities are currently illegal under United States federal law. Additional information regarding this and other risks and uncertainties relating to the Company's business are disclosed in the Company's Listing Statement filed on its issuer profile on SEDAR at www.sedar.com. Should one or more of these risks, uncertainties or other factors materialize, or should assumptions underlying the forward-looking information or forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected.

No stock exchange, securities commission or other regulatory authority has approved or disapproved the information contained herein.

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