



Grown Rogue Reports Third Quarter 2022 Results, Positive Free Cash Flow and Net Income

- Revenue of \$4.25M compared to \$3.03M in Q3 2021, an increase of 40%, with adjusted EBITDA¹ margin of 27.5% compared to 25.5% in Q3 2021
- Operating cash flow, before changes in working capital, of \$0.91M or 21.5% of revenue
- Fifth consecutive quarter of positive net income and operating cash flow

Medford, Oregon, September 30, 2022 – Grown Rogue International Inc. (“Grown Rogue” or the “Company”) (CSE: GRIN) (OTC: GRUSF), a craft cannabis company operating in Oregon and Michigan, reports its fiscal third quarter 2022 results for the three months ended July 31, 2022. All financial information is provided in U.S. dollars unless otherwise indicated.

Third Quarter 2022 Financial Summary

- Tenth consecutive quarter of positive aEBITDA¹ and fourth consecutive quarter above \$1M
- Total liabilities decreased \$1.44M from Q2 2022 and working capital increased \$0.39M
- Constructed the 13th and 14th growing rooms in Michigan with first harvests expected in Q4 2022
- #1 flower brand in Oregon for the fifth consecutive quarter, and fastest growing flower brand for the fifth time in the last twelve months, according to LeafLink’s MarketScape data
- Exchanged \$0.16M in legacy investment assets for forgiveness of \$0.70M in debt

“At Grown Rogue, we are laser-focused on our mission of delivering affordable, craft-quality cannabis to an increasing number of cannabis consumers,” said Obie Strickler, CEO of Grown Rogue. “To further that mission, we focus on increasing our efficiencies while ensuring customers experience quality expressions of leading genetics, and our operational results continue to reflect the success of that focus. This scale and operating leverage has resulted in the leading position in the Oregon flower market and a top 10 position in Michigan. I am particularly pleased with our 40% year over year revenue growth and 51% year over year adjusted EBITDA growth, despite continued market headwinds,” continued Mr. Strickler. “We are now focused on continuing to delight customers in Oregon and Michigan while evaluating opportunities to enter new markets while remaining disciplined in our capital allocation. I look forward to bringing Grown Rogue to new markets and consumers and will be updating shareholders on these efforts in the future.”

Highlights by State

Oregon Operations

- Revenue of \$2.40M compared to \$1.28M in Q3 2021, an increase of 88%



- Gross profit, before fair value adjustments, of \$0.93M and gross margin of 38.5%
- Segmented aEBITDA¹ of \$0.57M and aEBITDA¹ margin of 23.8%
- Segmented net income, before fair value adjustments, of \$0.29M and margin of 12.0%
- Indoor production of whole flower increased to 900 pounds per month compared to 800 pounds of whole flower per month in Q2 2022

Michigan Operations (Through Golden Harvests, LLC)

- Revenue of \$1.85M compared to \$1.75M in Q3 2021, an increase of 6%
- Gross margin, before fair value adjustments, of 59.5%
- Segmented aEBITDA¹ of \$0.84M and aEBITDA¹ margin of 45.2%
- Segmented net income, before fair value adjustments, of \$0.47M and margin of 25.2%
- Indoor production of whole flower increased to 750 pounds per month compared to 550 pounds of whole flower per month in Q2 2022

	July 31, 2022	October 31, 2021
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	1,530,711	1,114,033
Accounts receivable (Note 20)	1,008,342	739,248
Biological assets (Note 4)	2,043,686	1,188,552
Inventory (Note 5)	2,963,879	3,306,312
Prepaid expenses and other assets	393,310	357,541
Total current assets	7,939,928	6,705,686
Marketable securities (Note 6)	-	610,092
Other investments and purchase deposits (Note 8)	-	750,000
Property and equipment (Note 11)	8,052,465	5,742,584
Intangible assets and goodwill (Note 12)	725,668	399,338
TOTAL ASSETS	16,718,061	14,207,700
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	1,673,750	1,766,707
Current portion of lease liabilities (Note 10)	997,945	624,935
Current portion of long-term debt (Note 13)	1,581,349	843,900
Business acquisition consideration payable (Note 7)	360,000	358,537
Interest payable (Note 13)	-	13,750
Unearned revenue	30,498	-
Income tax	294,365	254,631
Total current liabilities	4,937,907	3,862,460
Accrued liabilities (Note 9)	-	123,413
Lease liabilities (Note 10)	1,370,342	1,735,503
Long-term debt (Note 13)	1,025,550	1,365,761
TOTAL LIABILITIES	7,333,799	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)	6,495,268	6,407,935
Accumulated other comprehensive loss	(106,857)	(90,378)
Accumulated deficit	(20,868,533)	(21,804,349)
Equity attributable to shareholders	7,414,399	5,086,577
Non-controlling interests (Note 24)	1,969,863	2,033,986
TOTAL EQUITY	9,384,262	7,120,563
TOTAL LIABILITIES AND EQUITY	16,718,061	14,207,700

	Three months ended July 31,	
	2022	2021
	\$	\$
Revenue		
Product sales	4,251,808	3,028,991
Service revenue	-	-
Total revenue	4,251,808	3,028,991
Cost of goods sold		
Cost of finished cannabis inventory sold	(2,226,593)	(1,239,200)
Costs of service revenue	-	-
Gross profit, excluding fair value items	2,025,215	1,789,791
Realized fair value amounts in inventory sold	(788,083)	(198,540)
Unrealized fair value gain (loss) on growth of biological assets	707,453	649,907
Gross profit	1,944,585	2,241,158
Expenses		
Accretion expense	68,736	187,493
Amortization of intangible assets	-	-
Amortization of property and equipment	238,497	55,610
General and administrative	1,207,892	1,216,980
Share-based compensation	12,194	65,543
Total expenses	1,527,319	1,525,626
Income from operations	417,266	715,532
Other income and (expense)		
Interest expense	(98,084)	(48,828)
Other income	(1,420)	3,977
Gain on debt settlement	455,674	53
Loss on settlement of non-controlling interest	-	-
Unrealized gain (loss) on marketable securities	(146,891)	(422,867)
Unrealized loss on derivative liability	-	-
Gain on disposal of property and equipment	-	(7,573)
Gain from operations before taxes	626,545	240,294
Income tax	(55,139)	-
Net income	571,406	240,294



	Oregon	Michigan	Corporate	Consolidated
Sales revenues	2,402,773	1,849,035	-	4,251,808
Costs of goods sold, excluding fair value adjustments	(1,477,100)	(749,493)	-	(2,226,593)
Gross profit before fair value adjustments	925,673	1,099,542	-	2,025,215
Net fair value adjustments	(168,519)	87,889	-	(80,630)
Gross profit	757,154	1,187,431	-	1,944,585
Operating expenses:				
General and administration	532,983	344,136	330,773	1,207,892
Depreciation and amortization	36,579	178,115	23,803	238,497
Share based compensation	-	-	12,194	12,194
Other income and (expense):				-
Interest and accretion	(68,285)	(61,667)	(36,868)	(166,820)
Gain on debt settlement	5,989	-	449,685	455,674
Unrealized loss on marketable securities	-	-	(146,891)	(146,891)
Other income and expense	-	-	(1,420)	(1,420)
Net income (loss) before tax	125,296	603,513	(102,264)	626,545
Income tax	5,139	50,000	-	55,139
Net income after tax	120,157	553,513	(102,264)	571,406

Adjusted EBITDA Reconciliation	Three months ended	
	2022 (\$)	2021 (\$)
Net income, as reported	571,406	240,294
Add back realized fair value amounts included in inventory sold, as reported	788,083	198,540
Deduct unrealized fair value gain on growth of biological assets, as reported	(707,453)	(649,907)
Add back amortization of property & equipment included in cost of sales	252,257	186,149
	904,293	(24,924)
Add back interest and interest accretion expense, as reported	166,820	236,321
Add back amortization of property and equipment, as reported	238,497	55,610
Add back share-based compensation	12,194	82,492
Add back unrealized loss on marketable securities, as reported	146,891	422,867
Add back income tax expense	55,139	-
EBITDA	1,523,834	772,366
Deduct gain on debt settlement with marketable securities	(449,684)	-
Compliance costs	63,587	-
Costs associated with acquisition of Golden Harvests	30,000	-
Adjusted EBITDA	1,167,737	772,366

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.



For further information on Grown Rogue International please visit www.grownrogue.com or contact:

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